U.S. Department of State
FY 2000 Country Commercial Guide: Poland

The Country Commercial Guides for Poland was prepared by U.S. Embassy Warsaw and released by the Bureau of Economic and Business in July 1999 for Fiscal Year 2000.

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I. Executive Summary

The Country Commercial Guide (CCG) presents a comprehensive look at Poland's commercial environment using economic, political, and market analysis. The CCGs were established by recommendation of the Trade Promotion Coordinating Committee (TPCC), a multi-agency task force, to consolidate various reporting documents prepared for the U.S. business community. Country Commercial Guides are prepared annually at American Embassies through the combined efforts of several U.S. government agencies.

Poland became a full member of NATO in March 1999 and has set an objective of joining the European Union in 2003. The Polish economy continues to grow and new investment continues to be strong. Government reforms are making progress in many areas. A growing middle class and rapidly developing distribution networks are turning Poland into a more attractive market for small and medium U.S. exporters. With a population of 39 million, Poland's market potential is huge. Many European firms have recognized this potential and are beginning to expand operations and sales in Poland. The level of American direct investment remains high, but American exporters are still not taking advantage of the market's full potential. The Commercial Service in Warsaw believes that the time is ripe for U.S. exporters to enter the Polish market and avoid being locked out by European competitors.

The Polish economy recorded strong growth in gross domestic product (GDP) in 1998 at 4.8% percent, with between 3.5 - 4% growth predicted for 1999, and predicted 5.6% growth for 2000. Other economic indicators continue to improve. The official unemployment rate edged down from 13.2 percent at the end of 1996 to 10.4 percent at the end of 1998, but it has bounced up over eleven percent in the first half of 1999, partly due to changes in registration requirements. The rate of inflation in consumer prices (on a December-to-December basis) declined to 8.6 percent in 1998 from 18.5 percent in 1996, and it is expected to be lower than seven percent for 1999. However, some budgetary concerns remain. The Finance Ministry has set a goal of balancing the budget (excluding privatization revenues) by the year 2003. The budget deficit was 2.4 percent of GDP in 1998 and the government expects to meet the 1999 budget deficit target of 2.15 percent. For the year 2000, the Finance Ministry is drafting a budget proposal to reduce further the budget deficit to 1.8 percent of GDP. Since 1995, Poland has run a steadily rising current account deficit: 1.0 percent of GDP in 1996, 3.2 percent in 1997, 4.3 percent in 1998, and an estimated 5.5-6.0 percent in 1999. The government expects the current account deficit as a percentage of GDP to start to decline in 2000. The rising deficit is not a source of concern at this time because of substantial official reserves and coverage by capital inflows, not to mention portfolio investment.

Poland has become the leader in Central Europe in attracting foreign investors. According to data collected by the Polish Agency for Foreign Investment (PAIZ), foreign direct investment (FDI) in Poland reached a record-level of USD 10 billion (6.5 percent of GDP) in 1998. Total FDI reached USD 30.7 billion (20 percent of GDP) at the end of 1998. PAIZ predicts that FDI in Poland in 1999 will easily reach the 1998 level. According to official statistics, the U.S. has fallen to second place with regard to the volume of capital invested in Poland, right behind Germany, though we estimate that correcting these figures for errors in assigning nationality would show that the U.S. is still number one. At the end of 1998, according to official figures, U.S. investments accounted for 18 percent of the total value of foreign investments in Poland. U.S. exports to Poland in 1998 increased to USD 1.79 billion, up from USD 1.17 billion in 1997.

Growth was uneven in 1998. The construction industry, automobile industry and service sector continued to do well despite the slowdown throughout much of the rest of the economy. The agriculture, textile, electronics, and furniture sectors suffered greatly from the collapse of the Russian market and stiffer competition from Asian firms. Heavy industry and coal mining remained in the doldrums. In 1998, foreign and domestic investment, credit expansion, and wage increases bolstered domestic demand and cushioned the economy from external shocks. Polish exports stagnated in 1998 and early 1999. The sharp depreciation of the Polish zloty early in 1999 against the U.S. dollar and, to a lesser extent, the Euro should spur export growth.

Poland's last parliamentary elections were in September 1997 when two parties with roots in the Solidarity movement, Solidarity Electoral Action (AWS) and the Freedom Union (UW), won 261 of the 460 seats in the Sejm and formed a coalition government. The platform of the AWS and UW supports privatization and welcomes foreign investment. All of Poland’s major political parties favor foreign investment although they have, at one time or another, exhibited some reservations about allowing foreigners to acquire dominant positions in strategic firms and industries being privatized, the current government intends to allow foreign investors to compete for controlling interests in all or most of those strategic firms that are to be privatized.

Provincial and local government can play an important role in facilitating or hindering trade and investment in Poland. A key plank in the government’s ambitious reform program was the decentralization of public administration and finance. This reform reduced the number of provinces from 49 to 16 and created local government bodies at the county and province level beginning January 1, 1999.

Opportunities for trade and investment continue to exist across virtually all sectors in Poland. The American Chamber of Commerce in Poland, founded in 1991 with seven members, now has more than 300 members. Constant economic growth, the size of the Polish market, and a high level of political stability are the top reasons U.S. and other foreign companies do business in Poland. Most believe that Poland is the best market in Central and Eastern Europe for their products and investments. U.S firms interested in entering the Polish market should contact the U.S. Commercial Service office in Warsaw at www.cscentraleurope.org/Poland or Warsaw.Office.box@mail.doc.gov.

U.S. companies doing business in Poland face strong foreign competition. Poland's domestic industry continues to develop, and sectors that have already privatized are becoming more productive and competitive. Country Commercial Guides are available for U.S. exporters from the National Trade Data Bank's CD-ROM or via the Internet. Please contact STAT-USA at 1-800-STAT-USA for more information. Country Commercial Guides can be accessed via the World Wide Web at http://www.stat-usa.gov and http://www.state.gov/. They can also be ordered in hard copy or on diskette from the National Technical Information Service (NTIS) at 1-800-553-NTIS.

The CCG is prepared by the U.S. & Foreign Commercial Service, U.S. Embassy Warsaw. It is intended to provide general information on economic and political trends and guidelines for doing business in Poland. Trade regulations and legislation in Poland are subject to frequent change. Before making any decisions based on this information, specific agencies and organizations provided in the guide should be contacted.

II. Economic Trends and Outlook

A. Major Trends and Outlook

Poland has been making steady progress in raising its living standard closer to those in the European Union (EU). Per capita income in Poland (on a purchasing power parity basis) has risen from 31 percent of the average level in the EU in 1993 to 39 percent in 1998. Nonetheless, it will take decades more for Poland to reach the EU average. A dynamic private sector and sound fiscal and monetary policies have produced one of the fastest growing economies in Europe since 1994. The large, inefficient agricultural sector (which employs as much as a quarter of the workforce) and numerous loss-making state-owned enterprises have lagged behind the rapidly developing private sector. Both the unemployment rate and the inflation rate have been declining from very high levels in the early 1990’s.

A two-party coalition with roots in the Solidarity movement of the 1980’s came to power after in the 1997 parliamentary elections. The senior coalition partner, Solidarity Electoral Action (AWS), and the junior partner, the Freedom Union (UW), both support free market economic principles, and they advocate acceleration of economic reforms and privatization. All of Poland's post-1989 governments (from across the political spectrum) have pursued economic reforms and generally sound fiscal and debt policies. Poland continues to liberalize its trade, foreign exchange, and investment policies in accordance with its international obligations to the World Trade Organization (WTO), the European Union (EU) (as contained in its Europe Agreement), the Organization for Economic Cooperation and Development (OECD), and its neighbors pursuant to numerous trade and economic relations agreements.

The economic slowdown in Europe, the crisis in Russia and conscious economic policy decisions at home have contributed to a cooling off of the Polish economy. From 1994 to 1997, the economy expanded by over five percent per year in real terms. In 1998, the growth rate slipped to 4.8 percent, and in the first quarter of 1999, it expanded at the annualized rate of 1.5 percent. The economy started to bounce back after the first quarter and is expected to show growth of 3.5 to 4.0 percent for 1999. The recovery should continue into 2000. The Finance Ministry assumes real growth of 5.6 percent for 2000 in its budget proposal.   In dollar terms, Poland's GDP in 1998 equaled USD 158 billion, or USD 4,070 per capita. On a purchasing power parity basis, per capita income in Poland rose from USD 7,600 in 1997 to USD 7,900 in 1998. The private sector accounts for an estimated 70 percent of GDP (including a large gray market), and almost 70 percent of the labor force. The official unemployment rate edged down from 13.2 percent at the end of 1996 to 10.4 percent at the end of 1998, and it has bounced up over eleven percent in the first half of 1999. A substantial proportion of this increase was due to a new health reform requirement that non-working individuals not actively seeking jobs register as unemployed in order to receive health benefits. The rate of inflation in consumer prices (on a December-to-December basis) declined to 8.6 percent in 1998 from 18.5 percent in 1996, and it is expected to be lower than seven percent for 1999.

In 1998, Poland formally initiated accession negotiations with the EU, which should lead to membership after 2002. Polish monetary authorities expect that within a reasonable period of time after joining the EU, Poland will qualify for the European Monetary Union (EMU) and replace the Polish zloty with the Euro. The fiscal and monetary authorities face major economic challenges in the mid- to long-term. These challenges include completing the privatization and restructuring process, rationalizing and reforming the agriculture sector, bringing the inflation rate down to a level comparable with EU average, financing infrastructure and human capital development, and reducing the public sector budget deficit. Moreover, Polish leaders have initiated a debate over what role the state sector should play in the economy. In particular, the coalition partners are considering whether to lower taxes in order to force the state sector to shrink. For its part, the private sector will need to improve its competitiveness so that it can hold its own domestically and expand exports. How Poland deals with these issues will have a great impact on its rate of convergence with the EU's average living standard, whether it will take a couple of decades or much longer.

B. Principal Growth Sectors

Growth was uneven in 1998, with some sectors doing fine and others in dire straits. The construction industry, automobile industry and service sector continued to do well despite the slowdown throughout much of the rest of the economy. The agriculture, textile, electronics, and furniture sectors suffered greatly from the collapse of the Russian market and stiffer competition from Asian firms. Heavy industry and coal mining remained in the doldrums. In 1998, foreign and domestic investment, credit expansion, and wage increases bolstered domestic demand and generally cushioned the economy from external shocks. Polish exports stagnated in 1998 and early 1999. The depreciation of the Polish zloty in 1999 against the U.S. dollar and, to a lesser extent, the Euro should spur export growth.

C. Government Role in the Economy

The progress of Polish economic recovery has occurred in large part due to the sound monetary and fiscal policies maintained by a succession of governments since 1989. The central government budget deficit was 2.4 percent of GDP in 1998 and the government expects to meet the 1999 budget deficit target of 2.15 percent. For the year 2000, the Finance Ministry is drafting a budget proposal to reduce further the budget deficit to 1.8 percent of GDP. The Finance Ministry has set a goal of balancing the central government budget by the year 2003.

Taxes in Poland are relatively high: VAT rates are zero, seven, and 22 percent; the corporate income tax is 36 percent; personal income tax brackets are 20, 32, and 44 percent. Social program contributions for pensions, disability and unemployment benefits, and health care amount to 48 percent of net wages in aggregate; the employer and the employee each pays a portions these contributions. In 1999, the government plans to finance the budget deficit principally from domestic borrowing and privatization revenues. The constitution prohibits the government from borrowing from the NBP.

Poland has privatized practically all small enterprises, most medium-size enterprises, and is now concentrating on the large enterprises. The government has set itself the goal of privatizing 70 percent of the remaining firms by the end of its four-year term in 2001. The government in the first half of 1999 has already privatized two large banks and later in the year should sell strategic stakes in the telephone company (TPSA), the national airline (LOT), the dominant insurance company (PZU), and several firms in the steel and energy sector. After these privatizations, the share of GDP generated by the private sector should increase from around 70 percent to 85 percent.

D. Balance of Payments Situation

Since 1995, Poland has run a steadily rising current account deficit: 1.0 percent of GDP in 1996, 3.2 percent in 1997, 4.3 percent in 1998, and an estimated 5.5-6.0 percent in 1999. The government expects the current account deficit as a percentage of GDP to start to decline in 2000. Foreign direct investment (FDI) inflows cover most of the current account deficit. Poland has attracted about USD 30 billion of FDI since 1990, according to the Polish Agency for Foreign Investment (PAIZ). PAIZ estimates that FDI inflows for 1999 will reach USD 10 billion. In the first five months of 1999, Poland ran a current account deficit of USD 3.8 billion, of which FDI alone covered USD 1.9 billion. Large capital surpluses due to FDI and portfolio inflows have caused net official reserves to pile up this year, from USD 21.2 billion at the end of 1997 to USD 26.1 billion at the end of May 1999. Short-term or portfolio investment finances only a small portion of the current account deficit.

The current account deficit derives from Poland’s trade deficit: USD 13.7 billion in 1998 and USD 4.8 billion through the first five months of 1999. Poland’s surplus in unregistered or so-called “suitcase” trade, which shows up in the Unclassified Transactions item of the current account, has declined significantly in 1999: from USD 2.3 billion for the first five months of 1998 to USD 1.3 billion for the same period in 1999. This decline reflects in large part the drop off in exports to Russia and Ukraine. Analysts predict that the depreciation of the Polish zloty in 1999 (down about 15 percent in value against the U.S. dollar and six percent against the Euro) should give a boost to Polish exports.

Poland greatly benefits from the 1991 Paris Club and the 1994 London Club debt-rescheduling agreements, which roughly cut in half Poland's foreign debt. In 1995, Poland paid back all IMF drawings.

E. Infrastructure Situation: Distribution

Communications, banking, insurance, accounting, and distribution systems are still developing in Poland. Companies establishing branch offices find office space and housing in short supply and very expensive -- class A office space rents are similar to those in Geneva. Foreign companies can acquire small parcels of land without obtaining government permission, but the government has moved slowly in granting permits to acquire large parcels and some companies have complained there still are unnecessary delays in acquiring small parcels. There is a shortage of personnel with training and experience in some fields, particularly in finance, marketing, and human resources.

After the privatization of two large banks in 1999, foreigners control nearly 60 percent of the banking sector's equity and a majority of its assets and deposits. Banks are well regulated by the NBP. They now set their own lending and deposit rates. Interest rates are relatively high (around 20 percent), but should come down with the expected decline in the inflation rate and the NBP’s planned reduction of mandatory reserve levels.

The road system is inadequate for the increasing number of cars and trucks. The number of cars in Poland exceeds twelve million in 1999, more than double the number in 1990. There is especially a lack of adequate (four-lane) highways between major cities capable of carrying the increased volume of trucks necessary to the growth of Poland's distribution systems. An extensive road network upgrade is planned over the next 10-15 years, but much of this is not even in the design phase. Rural road travel is particularly difficult and very dangerous at night. Poland's air and seaports are structurally adequate for receiving and shipping cargo. However, all are in need of expansion and modernization to facilitate the growth of Poland's economy. Airport cargo modernization is underway. A restructuring of the rail system is under examination. The existing rail network in Poland is relatively extensive.

III. Political Environment

A. Nature of Political Relationship with the United States

The United States and Poland have enjoyed warm bilateral relations since 1989. Every post-1989 Polish government has been a strong supporter of a continued American military and economic presence in Europe, and has identified membership in NATO, the European Union, and other Western security and economic structures as Poland's principal foreign policy priorities. Poland was invited to join NATO at the July 1997 NATO Summit in Madrid. Following ratification of Poland's accession by all the member states, including the United States (where the vote in the Senate was 80-19-1 in favor), Poland, along with the Czech Republic and Hungary, became a member of NATO in March 1999 and thus a U.S. ally. Poland served successfully as the Chairman in Office of the Organization for Security and Cooperation in Europe (OSCE) in 1998. Poland has done a superb job as the formal protector of American interests in Iraq since the Gulf War and cooperates closely with the United States on such issues as nuclear non-proliferation, human rights, regional cooperation in Central and Eastern Europe, and reform of the United Nations.

Poland has been the largest recipient of U.S. assistance to Central and Eastern Europe. Since 1989, the U.S. has committed more than USD 4 billion to such areas as debt reduction, privatization, financial stabilization, financial institution building, entrepreneurial training, support for a free press and other democratic institutions, and efforts to improve Poland's environment. One of the Peace Corps' largest programs in the world is in Poland.

A graphic illustration of Poland's close cooperation with the United States has been the large number of high-level visits exchanged between the two countries in recent years. In 1998, Prime Minister Jerzy Buzek visited Washington, as did Foreign Minister Bronislaw Geremek. President Kwasnieski and Prime Minister Buzek also participated in the Washington NATO Summit in April 1999. High-ranking U.S. visitors to Poland since 1997 include President Clinton, Secretary of State Albright, Secretary of Defense Cohen, and many Senators and Representatives.

Economic issues are playing an increasingly larger role in the bilateral relationship. A significant issue is the widening differential between tariffs on products originating in the EU and those of non-EU origin (including U.S.). This differential results from the gradual reduction of Poland’s tariffs on EU products under its Association Agreement with the EU and the unchanging level of MFN tariffs. Most affected thus far are automobiles and electrical generating equipment, which face tariff differentials that U.S. companies fear will price them out of the market. Another issue of considerable significance is the imposition by Poland of a 50-percent European-content quota for television broadcasts, which Polish television regulators assert is necessary to meet requirements for EU accession. Poland also has delayed enacting 50-year IPR protection for preexisting sound recordings starting with recordings made in 1946, a commitment they made in TRIPS. In addition, Poland has in some cases applied phytosanitary standards to agricultural products in ways that effectively result in the creation of non-tariff trade barriers. In past years Poland seemed to apply product certification procedures with much the same result.

B. Major Political Issues Affecting the Business Climate

Leaders of Poland's major political parties have repeatedly expressed strong public support for foreign and specifically U.S. investment. Substantial foreign direct investment is considered essential to Poland’s achieving its overarching goal of raising the standard of living to the levels of Western Europe. Factions in the current governing coalition’s senior partner, Solidarity Electoral Action (AWS), and several smaller opposition parties, most notably the Polish Peasant Party (PSL) and the Movement for the Reconstruction of Poland (ROP), oppose the sale of land to foreigners, especially Germans. Although all of Poland’s major political parties at one time or another have exhibited some reservations about allowing foreigners to acquire dominant positions in strategic firms, the current government intends to allow foreign investors to compete for controlling interests in all or most of those strategic firms that are to be privatized. As for trade issues, political parties’ support for reducing tariff and non-tariff trade barriers varies from the avowedly open-market stance of the Freedom Union (UW), the governing coalition’s junior partner) to the generally protectionist position of PSL and the parties of the far right; though, overall, Poland has been lowering trade barriers in accordance with its international obligations to WTO. While all major political parties are in favor of Poland joining the EU (which means Poland will have to adjust its laws and regulations to comport with the EU's acquis communautaire), they differ in their level of enthusiasm.

Trade unions are also an element for foreign business to consider. The Polish trade union movement, the engine of communism's collapse in the 1980's, has occasionally been problematic for foreign investors, particularly when managers of newly privatized state enterprises have instituted management changes. Resistance has also come from often-bloated enterprise middle management. But considering the huge growth and magnitude of U.S. investment, few American investors have encountered significant difficulties with Polish unions.

C. Brief Synopsis of the Political System, Schedule for Elections and Orientation of Major Political Parties

Poland is a parliamentary democracy. A new Constitution adopted in 1997 enhances several key elements of democracy including judicial review and the legislative process, while continuing to guarantee the wide range of civil rights, such as the right to free speech, press, and assembly, that Poles have enjoyed since 1989.

Poland has a bicameral Parliament, comprised of a Lower House (Sejm) and upper house (Senate). Within the legislative branch of the government, the Sejm has most of the power; the Senate may amend legislation passed by the Sejm or delay it. Both bodies are democratically elected. Poland's last Parliamentary elections were in September 1997 when two parties with roots in the Solidarity movement, Solidarity Electoral Action (AWS) and the Freedom Union (UW), won 261 of the 460 seats in the Sejm and formed a coalition government. The Parliament is elected to a four-year term, which expires in September 2001, when new Parliamentary elections will take place unless called earlier.

The Polish Prime Minister, who forms a government with a vote of confidence by the Sejm, chairs the Council of Ministers. Jerzy Buzek of the AWS has been Prime Minister since the Parliamentary elections in the fall of 1997. There are 23 cabinet ministers, two of whom serve as Deputy Prime Ministers, drawn from the governing coalition parties.

Poland's President, who serves as the country's head of state, is Aleksander Kwasniewski, an ex-communist turned social democrat, who defeated former Solidarity union leader Lech Walesa in Poland's second post-war free Presidential election in November 1995. He has a five-year term. The Polish President is the commander-in-chief of the armed forces and may veto legislation passed by the Parliament. According to the new Constitution, Presidential vetoes can be overturned by a three-fifths vote in the Sejm.

The most influential political parties are:

Solidarity Electoral Action (AWS): The center-right AWS is the larger of the two parties that form the governing coalition. AWS is itself a coalition of over 30 political groupings allied with the Solidarity trade union. AWS was the big winner of the 1997 Parliamentary elections, winning 201 of the Sejm's 460 seats. Its platform supports privatization and welcomes foreign investment. AWS is led by Solidarity trade union Chairman Marian Krzaklewski and Prime Minister Jerzy Buzek.

Democratic Left Alliance (SLD): the largest opposition party in the Sejm, the left-of-center SLD is a coalition comprised mostly of successor parties to the communist-era Polish United Workers Party (PZPR) and is headed by former Minister of Internal Affairs Leszek Miller. The party's leadership generally supports liberal economic policies but stresses the importance of cushioning the harsher effects of economic reform.

Union of Freedom (UW): UW is the smaller of the two parties in the governing coalition and, like AWS, has its origins in the Solidarity movement. UW pursues a mainly socially liberal, pro-free market course. Its membership is a diverse mix of liberal free-market thinkers, intellectuals, and social activists. The party is led by Deputy Prime Minister and Minister of Finance Leszek Balcerowicz, who authored Poland's economic "shock therapy" in the early 1990s.

Polish Peasant Party (PSL): headed by former Deputy Prime Minister Jaroslaw Kalinowski, the PSL has grown from a communist-subordinated party into a classic European agrarian party.

Movement for the Reconstruction of Poland (ROP): a rightist, nationalist party headed by former Prime Minister Jan Olszewski, ROP supports lower taxes, but the party's strong populist wing criticizes privatization and foreign investment. ROP has seen a decline of its fortunes in recent years and now has only a few deputies in Parliament.

Fatherland, the Polish Family, and other far-right parties: These parties are splinters from the larger parties and are nativist, anti-E.U., and, in some cases, anti-NATO. Their radical views have won them only a few seats in Parliament.

Union of Labor (UP): UP is an ideologically pure social-democratic party that advocates a broad social safety net. It is the smallest of the major parties in Poland and has no representation in parliament.

D. Local Government

Provincial and local government can play an important role in facilitating or hindering trade and investment in Poland. Poland recently undertook a major provincial and local-government reform and decentralization. As of January 1, 1999, Poland's 49 provinces (wojewodztwa) were consolidated into 16 and given sweeping new authority, particularly in the areas of economic development and investment. Each province now has its own parliament (sejmik), which chooses a Governor (Marszalek), as well as a Chief Administrator (Wojewod) appointed by the central government to manage central programs in the province. The reform has also created a new level of county (powiat) government, which is responsible for providing many local services. Party affiliations play an increasingly important role in local Polish politics, particularly in larger cities, but are not yet as significant as in the United States.

IV. Marketing U.S. Products and Services

A. Distribution and Sales Channels

(1) Regional Nature of Market and Review of Major Regions

Opportunities for doing business in Poland are, like the population, dispersed throughout the country. Twenty-five percent of the population resides in rural areas, and urban dwellers are widely spread among a number of population centers.

The largest Polish cities include:

CITY	POPULATION
Warsaw	1,626,100
Lodz	825,600
Krakow	746,000
Wroclaw	641,000
Poznan	582,800
Gdansk	463,000
Szczecin	417,100
Lublin	351,600
Katowice	359,500

Source: “Gospodarczy Atlas Polski 1999,” published by BMB Promotions

(A) Warsaw

Warsaw Province is the capital of Poland and has 2.1 million people, 5.5% of the country's total population. The city of Warsaw, with a population of 1.6 million, is a center of culture, science, education, and finance, and is a major transportation hub. Warsaw's Okecie airport has direct connections to more than 50 airports around the world.

The impact of Poland's strong economic growth during the past few years is best seen in Warsaw. Average earnings in Warsaw are the highest in Poland. Industry sectors within Warsaw are dominated by machinery and electronic equipment production. The most important products manufactured in the area are television sets, computer hardware and software, tape recorders, passenger cars, and tractors. The capital has more than 280,000 businesses.

In recent years, Warsaw has shown the highest levels of investment in Poland. About a third of foreign businesses investing in Poland choose Warsaw as their headquarters. The investment programs implemented by foreign firms have created over 11,000 jobs. Large U.S. companies with investments in Warsaw include: PepsiCo, Procter & Gamble, Reynolds, General Motors, and Colgate. Head offices of the largest U.S. consulting, law, and auditing firms, as well as financial and insurance companies, such as Pioneer, AIG, Citibank, Amerbank, GE Capital, Bank of America, and Cigna, are also in Warsaw.

To attract potential investors to the least developed areas of Warsaw, the local government plans to establish a special economic zone in the southern part of the city very close to the international airport and cargo terminal.

For more information, please contact:

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(B) Lodz

The city of Lodz is located nearly at the geographical center of Poland, only 130 km west of Warsaw. Its population of 825,000 people makes Lodz the second largest city in Poland. Together, Lodz and Warsaw represent 10% of the total population of Poland.

Lodz is still strongly associated with the textile industry, although this sector went into steep decline some 14 years ago. Textile plants remain in operation here, but the city has attempted to diversify its manufacturing base. The past five years have brought substantial changes. The major industries are now light manufacturing, food, chemicals, and electrical engineering.

Investors will find many opportunities in Lodz. Construction of planned highways will place Lodz at the intersection of major Warsaw-Poznan (A2) and Gdansk-Katowice (A1) highways. Important academic centers in Lodz include the Institute of Technology, the University of Lodz, two Medical Academies, and the branch of the Polish Academy of Science, as well as industry research centers. Current investors include ABB, Coats Viyela, Coca-Cola, Gillette, Mercedes, PepsiCo, Shell, and Wrangler.

On April 15, 1997, the Government of Poland announced the establishment of the Lodz Special Economic Zone (LSEZ) for a duration of 20 years on land owned by the State Treasury and existing companies. Investors who receive permission from the authorities to operate in the LSEZ and who comply with the necessary conditions (either investment of ECU 2 million or employment of 100 workers during the 20 years of the LSEZ) will qualify for a 100% income tax reduction for the first 10 years and a 50% reduction for the next 10 years. Additionally, the Lodz Labor Office has incentives such as paying a company the first six months worth of welfare payments (326 PLN/month) plus a 45% social security payment for every unemployed person hired.

For more information about the region, please contact:

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(Lodz Voivodship Office)
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(C) Poznan

Poznan, located in the mid-western part of Poland, is home to 600,000 people. Poznan is one of the major junctions for rail and highway transport. The main route from Eastern to Western Europe through Warsaw and Berlin runs through Poznan. So does the transit route from Scandinavia to the Czech

Republic, Slovakia, and the Balkans. Poznan’s airport at Lawica serves as both a domestic and international airport.

Poznan has become the second largest banking center in Poland (after Warsaw), with 14 banks having headquarters there. Many insurance companies operate there as well. Manufacturing plays a leading role in the economy, employing one-fourth of professionally active people. Products from the region include: ship engines, passenger railway carriages, metal working and food industry machines, textiles, batteries, vehicles, telecommunication switchboards, teletransmission equipment, furniture, phosphoric fertilizers, and cosmetics. The food industry is prominent, especially soft drinks and tobacco. The high quality and large quantity of agricultural products available in the Poznan area create a suitable basis for increasing exports. There are opportunities for investment in food processing.

The Poznan International Fair has a 70-year tradition, and every year more than 20 trade fairs, promotional events, and exhibitions are held at its expansive fairgrounds.

Poznan is an important scientific and cultural center in Poland. In Poznan there are numerous research institutes, branches of the Polish Academy of Science, and 14 universities, including four recently founded private universities offering bachelor degrees in management, banking, and marketing. There are 10 universities offering masters and doctorate degrees in numerous fields. Nearly 60,000 students study at universities in Poznan.

There are about 1,000 companies with foreign capital participation in the Poznan area. The most notable foreign investors are: International Food Corporation, CPC International, Amino S.A. (United States), Wrigley (United States), SC Johnson (United States), General Bottlers (United States), Alcatel (United States), Volkswagen (Germany), Alcan, Inc. (Canada), and Marbaise (Germany). An analysis carried out the by the Bonn-based research firm Empirica showed that the Poznan region ranks fifth among 155 regions in Central and Eastern Europe in terms of attractiveness for investment.

For more information about the region, please contact:

Poznan Province Government Office
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http://www.man.pozn.pl/~wup/html-eng/wup_eng.html

(D) Southern Poland

The lower geographic third of Poland is home to half of Poland's population and represents almost half of the nation's industrial output. The region boasts a well-educated and relatively low-cost work force. The three principal cities include Katowice, Wroclaw, and Krakow. One of the world’s largest copper ore deposits is found in the southwestern province of Legnica.

In addition, there are special economic zones in the Rzeszow (Mielec), Katowice, Legnica, and Walbrzych provinces.

Katowice

Katowice is very urban and densely populated. The greater Katowice area, combines 24 cities with 2.5 million inhabitants. There are 13 schools of higher education and more than a dozen scientific research institutions in the Katowice area.

The region's main natural resource is coal. Ninety-seven percent of the country's coal comes from this province. The Upper Silesian Coal Basin is one of the largest in the world. There are also deposits of natural gas, zinc, and lead ore with a mixture of silver. The industrial output of the province provides much of the Poland's industrial output. Major industries in the region include mining, metallurgy, chemicals, and automobiles.

Currently the center of Poland's coal industry, the Katowice area is transforming into an automotive center as well, with several major automotive firms, including Fiat, General Motors, Isuzu Motors, Delphi, and Lear, investing in the region. Katowice province has excellent air and rail connections to Warsaw and other major European cities.

For more information, please contact:

Provincial Office in Katowice
Urzad Wojewodzki w Katowicach
Mr. Dariusz Gruszecki, Director
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http://www.um.katowice.pl

Wroclaw

Wroclaw (pronounced "vrot-suave") has a population of 650,000 and is one of the most important intellectual centers in the country. Over 64,000 students study at 13 state institutions and several private universities.

Wroclaw, located at the intersection of important east-west and north-south roadways, is served by three international highways, the largest railway network of Lower Silesia, and direct rail links with several major European cities. An international airport and two river ports are located in Wroclaw. The province has deposits of natural gas, stone, serpentine marble and basalt, vein quartz, quartz sand, argillaceous resources, kaolin resources, ceramic clays, and gravel aggregate.

Together with other cities in the province, Wroclaw is one of the most important industrial centers in Poland. It ranks ninth in the country in industrial employment. Wroclaw's diversified industrial sector includes electromechanical, food processing, chemical, metallurgical, and paper. The electromechanical industry is represented by companies such as POLAR, Semens-Elwro, Dolmel-Drivs, Agroma-Pilmet, ABB Dolmel, and ABB Instal. These companies produce a large share of the home appliances made in Poland. Also, Wroclaw companies produce buses and much of the nation's agricultural equipment. Chemical firms include Rokita in Brzeg Dolny, Viscoplast, Polifarb Wroclaw, Herbapol, and Cussons Polska. The Wroclaw food processing industry has a variety of companies, including Brewery PIAST.

In the Wroclaw area there are more than 1,700 companies that have been formed with foreign capital. In addition to the top two investing countries, the United States and United Kingdom, investors from Austria, Italy, France, Sweden, Taiwan, and Russia have found the province attractive. British Cadbury built a large chocolate factory outside of Wroclaw, the first investment of this company in Central and Eastern Europe. Others have followed the same path, including Ikea (Sweden), Castorama (France), Cargill (U.S.), General Bottlers (U.S.), and Coca-Cola (U.S.). Foreign banks opening branches in Wroclaw include Citibank (U.S.), Creditanstaldt (Austria), Raiffeisen-Centrobank (Austria), and Hypo-Bank (Germany).

Wroclaw's local authorities strive to create positive conditions for foreign investors. Property ownership issues are clearer in Wroclaw than in other parts of Poland, and a significant excess of production capacity is available to foreign investors, on the condition that new activity will be environmentally friendly.

For more information, please contact:

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fax: (48-71) 40-69-64
Economic Development Department
Ms. Maria B. Dytko, Director
tel: (48-71) 343-28-27
fax: (48-71) 343-46-04
http://www.wroclaw.pl

Krakow

Krakow has a population of 640,000. The city of Krakow is included on the UNESCO World Cultural Heritage list due to its historical and cultural value. It is the second largest research and academic center in Poland, with 15 institutions of higher learning and 96 research institutes. Among the major state academies are the Jagiellonian University, founded in 1364, the Academy of Economics, the Academy of Fine Arts, and the Music Academy.

Krakow has excellent rail and road connections to all major European cities. It is only two hours and 40 minutes from Warsaw by express train. In addition, the John Paul II Memorial International Airport provides direct connections to major cities in Europe, as well as New York and Chicago.

Krakow province has deposits of rock salt, limestone, marble, cement, dolomite, natural aggregate, clay (silts), and curative mineral water. Major industries in the region include food processing, pharmaceutical, metallurgy, electronic, health service, and research and technology. Almost all of Krakow's enterprises are in private hands.

The largest foreign investor is Philip Morris, which constitutes one-third of total foreign investment in the region. Other significant investors include: Coca-Cola (U.S.), Pilva (Croatia), and Electricite de

France (EDF) (France). Other countries investing in the region include Germany, Turkey, Austria, and Netherlands.

For more information, please contact:

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tel: (48-12) 61-60-208
fax: (48-12)422-72-08
Economic Development Department
Mr. Tadeusz Trzmiel, Deputy Director
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(E) Gdansk

Gdansk is situated in northern Poland on the Baltic Sea coast and is an important seaport. The area's population of 1.4 million is concentrated in the tri-city area of Gdansk, Gdynia and Sopot. Gdansk is 330 km north of Warsaw and has the second largest international airport in Poland. There are plans to build a north-south highway connecting the ports of Gdansk and Gdynia with Southern Europe.

Industry in the Gdansk district is dominated by energy, shipbuilding, transportation, food processing (mainly seafood), chemical, electrical, and electronics. It is also home to the second largest refinery in Poland, Rafineria Gdanska. Other large investors include Arall, GE Capital Bank, Ericsson, Ernst & Young, PepsiCo, and Shell. The list of major importers includes Rafineria Gdanska Co., Stocznia Gdynia Co., Stocznia Gdanska Co., and Elbrewery Co.

Gdansk, with its relatively well-developed infrastructure, skilled work force, and eight universities, has potential for growth, especially in industry and tourism. Favored investments include: development and modernization of the ports and transportation networks, extension of hotel facilities and trade and service centers, housing construction, and environmental protection. Local authorities are interested in renting or leasing land to foreign partners. Updated local laws and regulations encourage foreign investment and trade with special attention on the seaports.

Important academic centers in the Gdansk district include the University of Gdansk, the Medical Academy, and the Technical University.

For more information, please contact:

Gdansk Voivodship Office
Economic Development and Privatization
Mr. Jaroslaw Zietkiewicz, Director
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80-810 Gdansk
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fax: (48-58) 301-1765
http://www.gdansk.gda.pl

(2) Consumer Goods Distribution

Competition in the consumer goods sector, particularly non-durable consumer goods, is intense in Poland. The previously insatiable demand for western goods has been replaced by more pragmatic attitudes about price and quality. Polish consumers and importers are more selective about the products they will buy. A western brand is no longer the sure-sell it once was, as local brands have improved immensely in quality. Brand name recognition is still important, but it is a great challenge for U.S. firms to develop brand images and loyalty, as the market is overwhelmed by hundreds of new western and Polish brands.

A major roadblock to selling consumer goods in Poland is distribution. Poland's entrepreneurial spirit is evident in its retail sector, and on nearly every street corner where small stores or stands have sprung up. The retail sector is dominated by these very small entrepreneurial, "mom-and-pop" stores, most of which have opened in the past five years. There are hundreds of thousands of such small retail outlets across the country, posing major logistical problems for the distributor. Although these shops are generally product-specific, many sell a wide range of goods. For example, a toy store may also sell stationery and housewares.

However, large-scale retailing is developing very quickly. Retail chains, which operate near major population centers, are dominated by foreign firms: IKEA (Sweden), Makro Cash and Carry, Ahold (Netherlands), Tesco (U.K.), Billa and Julius Mainl (Austria), HIT, Allkauf, Metro AG, (Germany), LeClerc, Auchan, Geant, Intermarche, Castorama, Carrefour (France), Jumbo (Portugal), Rema 1000, and Office Depot (U.S.). Foreign companies have a great interest in investing in large-scale retailing in Poland. The large stores are extremely popular and most of these firms are expanding rapidly. The few shopping malls that do exist are mainly filled with upscale boutiques.

Poland is also considered a very promising market in which to establish chains of specialty stores and department stores that cater to a more demanding clientele and that will be categorized as mid-level stores. There is only one local department store chain in Poland.

Poland is still largely a cash economy. However, banks are increasing the issuance of credit cards. Checks are almost unheard of. Most payments for regular transactions, if not cash, are made by wire transfer. Cash machine networks are growing.

Distribution networks do exist in Poland, although most are new and vary in their structure and scope. For consumer goods, most such networks have been pieced together and are product specific with differing layers of agents, wholesalers or retailers. Regulations covering sales and distribution networks do not exist beyond those needed to establish a business. Distribution is an extremely difficult task for consumer goods. It is very difficult, even for the large producers, to keep products on the shelves of hundreds of thousands of retail stores.

Smaller U.S. companies usually begin with a small, regionally located distributor and then develop a network from there. Larger firms may initially establish a regional warehouse system with a series of trucks and distributors to branch out to assorted markets across the country This requires a significant up-front investment.

Poland is, without a doubt, a market of regions. Not only is the population distributed among Poland's major cities, but poor road conditions, inadequate local train service, underdeveloped banking networks, and the still-developing nature of the market itself make it difficult for a single distributor (especially a foreign-based distributor) to cover all of Poland.

(3) Industrial Goods Distribution

Imports of equipment and technology have increased tremendously as Polish industry modernizes and restructures to compete with the western world. What has been surprising to U.S. exporters in many industrial sectors is the familiarity among Poles with the technical parameters of U.S. products prior to the actual introduction of those products in the marketplace. This results from a combination of historical knowledge of some importers (who probably worked for a former foreign trade organization before 1989) and the fact that serious Polish importers do their homework.

Under the Communist regime all foreign trade was handled through a small number of foreign trade organizations. Each industry was associated with an entity which handled its importing, exporting, marketing and distribution needs. Most of these organizations still exist in one form or another; many have been privatized, and some, such as Elektrim and Ciech, have grown to become among Poland's largest firms.

Industrial distributors may therefore be part of a network that developed from former foreign trade organizations, or may be individuals with significant connections to their industry (often former employees of the large foreign trade firms). As industries and companies continue to privatize in Poland, distribution networks will expand in scope and complexity.

Many distributors of industrial equipment are very specialized and have very specific technical expertise. Because of this, some are better able to serve on a national level than most consumer goods distributors, but exporters are still advised to carefully check out a company's claim that it can represent a U.S. firm throughout the entire country.

As with consumer goods, importers and other companies that represent foreign companies are becoming more sophisticated, and selective. The number and variety of imported goods available on the Polish market play an important role here as well. Polish agents or distributors increasingly look to the foreign partner to provide marketing and promotional support, training and financing. Polish trade fairs, which have become more and more specific in scope, are a good place to look for possible distributors.

B. Use of Agents and Distributors; Finding a Partner

Polish companies tend to act more as distributors (importing, taking possession of, and reselling a good) than as agents. Expensive equipment is an exception to this, since Polish companies generally do not have the financial capability to make such purchases. However, there are no laws imposing roles for Polish importers, so distributor agreements may take any form beneficial to the parties involved.

The ideal solution would be to find a distributor who is experienced, knowledgeable, and well-connected to existing distribution channels for the product. Polish companies tend to be much younger and less experienced than their western counterparts. They may not fully understand the product or how it is to be used and may need extensive training.

C. Franchising

Poland, a country of nearly 40 million people, is ripe for the development of franchising. Poland is rapidly developing its infrastructure, telecommunications and banking services. More importantly, the rapid expansion of media and advertising sectors indicates that the development of the consumer market is just beginning.

The most popular and largest U.S. franchises arrived first and introduced the concept here, and they now dominate Poland's franchise landscape. Their success over the last few years has proven to be the best advertisement for the promotion of franchising in Poland. The largest foreign franchisers active in Poland are: McDonald’s, Burger King, Domino’s Pizza, PepsiCo, ARAL, Kodak, Agfa, and the Yves Rocher Group.

Although the total number of franchises is currently low (at the time of this writing, only about 40 exist), the Polish Franchising Association (PFA) believes the Polish market has considerable demand for new, internationally known franchise concepts. PFA estimates that only about 10 networks operate in a pure franchising system. Very often, franchising companies operate their own establishments, expand through licensing operations, and sell franchises at the same time.

Financing is the most critical element for successful entry and penetration by U.S. franchisers. Although it has generally been difficult for foreign companies to locate Polish investors capable of becoming master franchisees, the number of local candidates interested in becoming master franchisees is on the rise.

There are no Polish laws or regulations that specifically address franchising. A franchise is subject to general commercial law. The contract between two parties is therefore the sole legal platform for the franchise agreement. It usually contains not only elements of civil law, but also elements of intellectual property and trademark protection.

The best franchise concept prospects are in services, retail, mid-range hotels, and fast food chains. For more information about franchising in Poland, please contact:

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Al. Jerozolimskie 56c
00-803 Warsaw, Poland
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Polish Franchise Association (PFA)
Polskie Stowarzyszenie Franchisingu
ul. Madalinskiego 67B/15

01-549 Warszawa
tel/fax: 48-22/849-0835
Ms. Maria Kozlowska, President

D. Direct Marketing

Direct marketing is still new to Poland and is mostly practiced by joint ventures or foreign companies selling consumer products and services. Several years ago the first foreign companies began to sell a very limited assortment of products through catalogs. This form of marketing is growing rapidly, but one factor limiting the spread of direct marketing is the use of cash for most transactions. Nevertheless, the Polish market offers enormous potential, especially for expansion of mail-order companies. Women are the biggest group of customers who take advantage of mail-order catalogs. Mail-order companies selling books, CDs and cassettes have become popular in Poland. Swiat Ksiazki (Book World) has gathered, for example, more than 900,000 club members since 1994.

The Direct Marketing Association, Stowarzyszenie Marketingu Bezposredniego (SMB), was established in Poland at the end of 1995. Currently SMB has 30 members. Negotiations on possible membership are now underway with several, mostly foreign, companies. The members of SMB have established a code of ethics to undertake effective methods of operation in direct marketing, protect customer's rights, and prevent illegal business practices. The organization has participated in drafting legislation for the protection of privacy, which was established on April 30, 1998. SMB has created a database of names and addresses of individuals who do not wish to receive direct marketing materials.

Direct Marketing Association
Stowarzyszenie Marketingu Bezposredniego (SMB)
Mr. Andrzej Miekus, President
ul. Marszalkowska 87 apt. 85
00-683 Warsaw
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E. Joint Ventures/Licensing

Joint ventures as a form of business are abundant in Poland. Many U.S. businesses in Poland take the form of joint ventures, with Polish companies set up to handle the trade and share in the risks and rewards. As such, a joint venture can be an excellent way to facilitate export sales to the Polish market.

In most joint ventures the American partner contributes capital and technology while the Polish side contributes the land, distribution channels, trained workers, access to the Polish market and introductions within the local government and local business environment that would take years to develop.

Licensing of products, technology, technical data, and services is less practiced in Poland, due to concerns about intellectual property protection. However, now that Poland has made major steps in intellectual property rights and copyright legislation, it is probable that more U.S. firms will begin to license their products in Poland. Licensing is particularly prevalent in industrial manufacturing, consumer goods, and textile sectors.

F. Steps to Establishing an Office

Besides joint ventures, U.S. companies may establish a business entity in Poland through three types of legal forms.

(1) Limited liability companies (Sp. z o.o.) require at least one founder and minimum initial capital of 4,000 zlotys to be paid prior to registration. Reserves are not required to be taken out of after-tax earnings, audits are only obligatory in certain situations, and assets can only be distributed 6 months after liquidation is announced.

(2) Joint stock companies (S.A.) require 100,000 zlotys minimum initial capital, of which 25% must be paid prior to registration. There are no maximum limits and in-kind contributions are exempt from customs duty. After-tax profits from the venture may be exchanged and repatriated without permission at the end of each fiscal year of the venture. Proceeds from the sale of shares in the venture, or liquidation of the venture, may also be repatriated. Twelve months must pass after the liquidation announcement before assets may be distributed. Polish law does not allow interim dividends. The minimum number of founders is three entities.

(3) Representative offices are permitted by law to engage in business activity under three variations: supervisory offices, technical offices and commercial branch offices. Permits for establishing an office are granted by the relevant Ministry upon application by the foreign firm. Permits are valid for the length of time granted by the Ministry, usually a maximum of two years. The foreign firm must reapply for renewal. Offices are by law treated as parts of the U.S. company and are considered an exporter of products from abroad. Therefore, offices may not engage in retailing or manufacturing activities and may hold inventory only for marketing and service purposes.

Modern telephones, copy machines, faxes, computers and office amenities are easily available and can be leased from a number of reputable Polish and western firms. The secretarial labor pool is reasonably abundant, although English speaking secretaries with modest secretarial skills are not easily found. Employees with western management or accounting experience are also difficult to find. There are, however, many head-hunter companies offering assistance in finding appropriate staff.

G. Selling Factors/Techniques

As discussed earlier, the Polish market is in most cases regional, and this description applies to selling as well. In addition, people in cities, particularly the major cities in Poland, have more purchasing power than those in rural areas, as unemployment is significantly lower in the cities. The countryside is dotted with single-factory (or formerly single-factory) towns with high unemployment.

Letters, faxes and packages of product literature will serve to introduce a product or service to a Polish company. Communication in the Polish language is recommended for speediest response. U.S. companies should ensure that translation into Polish is done by professional translators.

A Polish customer generally will not consider making a final purchase until he has met with someone face-to-face about the product. However, there are Polish companies that started their business through offers on the Internet. American companies that are little known outside of the U.S. may need to make quite a bit of effort to convince the Polish side that they are "for real." Demonstrations of the product are also effective, as Poles tend to be skeptical about claims until they are proven. Sponsored visits to the U.S. or other facilities around the world may help convince Polish buyers to purchase a U.S. product.

The decision making process, especially in large companies or government agencies, can be painfully slow, as every person or section involved in a decision usually must sign off before a decision is made. It usually takes several meetings, and many rounds of negotiations before a deal is closed. It is not unusual for a deal to take two or three years to be concluded. This means that success in Poland is extremely difficult without a representative in-country, whether it is an agent, distributor, or representative office.

Polish customers will want to discuss the technical parameters of the product, explain their needs, and negotiate (and renegotiate) the price. In addition, the product may not be sold in the first meeting, as the customer will want some time to consider the points discussed and to arrange financing. Small orders are usually the result, as major initial orders are unlikely due to limited amounts of working capital and high rates of interest on credit.

The American exporter should be aware of the Polish customer's main problem: access to capital. Most Polish firms are still too small to consider going public or issuing commercial paper. Therefore, most business activities, including payment for imports, are still self-financed. American companies that can guide their Polish customers to affordable financing will have an edge over their competitors. The U.S. Exim Bank offers a credit insurance program that can help small and medium size U.S. firms in this regard. For details contact the U.S. Commercial Service office in Warsaw at Warsaw.Office.Box@mail.doc.gov. Many Polish importers also look for marketing support.

Polish customers are generally enthusiastic about U.S. products and, if seriously interested, will travel across the country to meet with a U.S. representative who may be visiting Warsaw. If a customer has driven five hours to Warsaw to meet with a U.S. company, the potential for a sale is good. If the proposal is well thought out, the pricing is flexible (or assistance with financing is offered), and promotion, servicing and customer support are part of the package, chances are good that a contract will ultimately be written. Doing business in Poland is built upon personal relationships and trust. U.S. companies still have an advantage in Poland, as the U.S., its people, and its products are held in high regard.

H. Advertising and Trade Promotion

The trade fair business in Poland has boomed over the past few years, from a single major event (the June Poznan International Fair) to a full year's schedule of industry and product specific events in major cities around the country. Most industry specific trade fairs in Poland are newly emerged and are still proving their worth. Some are better than others at attracting key Polish and international business. Trade fairs for computers, medical, environmental, automotive, agri-business, consumer goods, building products and mining have grown in popularity in recent years. Direct U.S.

company presence at trade fairs in Poland is minimal, but many U.S. firms exhibit through their European or Polish distributors. Most U.S. firms find that exhibiting directly in a Polish fair is still less cost effective than many big European trade fairs. CS Warsaw can help find distributors interested in representing U.S. products at these fairs. Contact us at Warsaw.Office.Box@mail.doc.gov.

Advertising in Poland is considered crucial, not only in the consumer products field but also in a developing company image for all kinds of goods. Television -- which reaches virtually every home in Poland via local channels or satellite -- is believed to be the most effective medium in Poland. Products advertised through TV commercials show the greatest sales growth of all advertised products. The bulk of advertising revenues go to television. The price of TV spots on top rated shows has grown dramatically in the last few years as demand has soared. Radio is another means of advertising with more than 200 local radio stations as well as two national networks.

There is a ban on cigarette and alcohol (including beer and wine) advertising for broadcasters and on alcohol ads for display and print media. There is also a ban on pharmaceutical advertising, except for over-the-counter drugs and in professional publications.

Print media advertising is sophisticated, and the print media market itself has grown to include a full range of publications. Poland is wholly literate. Major newspapers circulate throughout the country and reach every corner of Poland. In addition, special interest magazines, business journals, niche publications, and specialized newspapers have proliferated. Classified advertising is very well developed and effective. Most U.S. companies find print a highly effective means of reaching customers and candidates for jobs. Major dailies include Rzeczpospolita, Gazeta Wyborcza, Zycie, and Trybuna. There are also two English-language weeklies that cater mainly to foreigners both in and out of Poland. Major international, as well as local, advertising and public relations agencies abound in Poland.

I. Pricing a Product

Pricing is the key to effective selling of a U.S. product in Poland. As mentioned above, working capital is limited in Poland, even among the larger, more successful Polish companies. Polish businesses generally spend money wisely, after thoughtful and sometimes lengthy consideration. The most common complaint the Commercial Service in Warsaw hears about U.S. products continues to be that “the price is too high.” Pricing of U.S. made products is complicated by the additional customs duties, VAT, and, in some cases, an excise tax, all of which elevate the retail price dramatically.

Flexibility is the key, and initial market penetration to gain product knowledge among Polish consumers is the goal. Successful U.S. exporters work together with their Polish representatives to keep costs, particularly import costs, as low as possible. For example, some companies ship products unassembled to help reduce import duties. The Polish market for all kinds of products is huge and expanding, and U.S. companies that approach the market with a long-term view of creating market share for their products will reap rewards.

J. Sales Service/Customer Support

After price, service is second on the list of the Polish customer's concerns. A manufacturer in the United States is seen by the Polish distributor and customer alike as being very far away from a product exported to Poland. A potential customer may shy away from a U.S. product because s/he fears ineffective servicing, simply due to distance, if the product breaks down.

Shipping a product back to the United States for repair or service, even if paid for by the U.S. company, is not generally a preferred option for Polish customers. Sending spare parts to Poland is easy to do. Some firms provide service for their exports to Poland through European representatives or firms licensed to repair their products. Even then, some distributors worry that they may not get adequate support.

The ideal method is to provide service and customer support through a trained Polish representative or U.S. affiliate company. U.S. manufacturers with major export accounts in Poland may wish to periodically send a service representative to Poland to work with the local representative and visit customers.

K. Selling to the Government

Poland's public procurement law, in effect since January 1995 (January 1996 for local governments), applies to most acquisitions of goods, services, or construction by nearly all government agencies, including local governments, foundations, associations, and cooperatives. Procurements by the Ministry of Defense are also included, but are subject to special rules. Procurements by state-owned enterprises are excluded from the law.

All tenders for amounts above 30,000 ECU are required to be officially announced. Tenders for lower amounts can be announced locally, in the local press or through local media.

The Polish procurement law provides for domestic preferences. Bids submitted by Polish firms are lowered (for the purpose of the evaluation of the tender) by 20%. Since the tenders are evaluated by assigning an appropriate number of points to various parts of the offer, this lowering of price is done only for a better and more favorable evaluation of the offer. In reality, when the project is executed, the price is what the Polish offerer quoted. This 20% “discount” applies only in cases where 50% of raw materials used for completion of the project come from Poland.

Unlimited tendering is the preferred method, and other procedures are restricted. Tender documents must contain specifications, selection criteria and terms and conditions for the contract. Deadlines for the submission of offers must be at least six weeks from the announcement. Offers are publicly opened. Participation in tenders is open to all those legally, technically, and financially able to perform the contract (including foreign companies if applicable).

The Bulletin of Public Procurement (Biuletyn Zomowien Publicznych), which lists public procurement opportunities throughout Poland, is now published twice a week. Subscriptions are available through:

Wydzial Wydawnictw I Poligrafii
Gospodarstwa Pomocniczego Kancelarii Prezesa
Rady Ministrow

ul. Powsinska 69/71
09-903 Warsaw

L. Protecting Your Product From IPR Infringement

Almost all the intellectual property measures required of Poland by the World Trade Organization (WTO) Trade-Related Intellectual Property (TRIP) rights are now in place. Although the enforcement has improved significantly, it is still often inadequate. Foreigners, both resident and non-resident in Poland, benefit from intellectual property ownership rights, whether as a result of Polish law or bilateral agreements. Poland is a signatory to a number of international IPR conventions, including the Berne and Paris conventions as well as the World Intellectual Property Organization (WIPO). In 1997, Poland ratified the Rome Convention. Poland has yet to enact 50-year protection for preexisting sound recordings. Although legislation to enact such protection is being considered by the Polish government, currently, protection is only provided for recordings made since 1974.

As a result of its uneven IPR performance, in 1997 the United States Trade Representative (USTR) placed Poland on the Watch List of its Special 301 report on IPR practices. Poland remains on the Watch List at the present time. However, due to increased concern over the IPR situation, USTR will undertake a special “out-of-cycle” review of Poland's IPR protection practices in December 1999.

(1) Patents

The Polish Law on Inventive Activities protects inventions through patents and utility models. Applications are filed with the Polish Patent Office; Polish attorneys must represent foreign applications. Patents are granted based on novelty, non-obviousness, technical character, and applicability and are product patents versus process patents. Applications are published 18 months from the application or priority date. Registered patents are valid for 20 years from the filing date. Registered models, inventions, and industrial designs are valid for five years and may be extended for another five years. Annual fees must be paid for maintaining a patent. There are no regulations regarding license terms. Criminal penalties are possible for infringement.

(2) Trademarks

Poland's trademark law of 1985 stipulates that trademarks, service marks, or collective marks may be registered. Trademarks are also protected under the Law on Combating Unfair Competition of 1993. A trademark must define the goods and services that are to be marked by the registered trademark. Applications are filed with the Polish Patent office, and priority under the Paris Convention may be claimed. Polish patent agents must represent foreign applicants. A registered trademark is valid for 10 years from the date of filing, unless the mark is not used for three consecutive years. The registration may be renewed for 10-year periods. Trademarks may be licensed. Ornamental designs and integrated circuits are protected.

U.S. companies find, however, that despite the existence of adequate laws, Polish authorities at times do not vigorously enforce them. U.S. companies must often expend significant resources protecting their own interests.

The Pro-Marka Polish Association of Branded Goods Producers (PABGP) was established in 1996 with the goal of protecting trademarks, foiling pirates, and educating consumers and regulators alike about the value of brand names. Currently Pro-Marka has about 25 international and Polish member companies and focuses on consumer products. For more information, please contact:

Pro-Marka Polish Association of Branded
Goods Producers (PABGP)
Mr. Tomasz Gryzewski, Director General
ul. Trebacka 4, Room 453
00-074 Warsaw
tel: (48-22) 630-9621, 630-9727
fax: (48-22) 826-1399

(3) Copyrights

The 1994 Copyright Law protects not only literary, musical and graphic works, but also computer software, audio-visual works and industrial patterns. It extends copyright protection from 25 to 50 years to comply with international standards, and protects authors, producers, artists, and performers for both commercial and personal rights. Generally, commercial rights expire 50 years after the author’s death.

U.S. companies find that enforcement of copyrights, like trademarks, is still inadequate despite significant progress made in the last three years. Since the beginning of 1998 the Polish customs authorities and police have been more actively protecting intellectual property rights by not only reacting to claims of interested companies or organizations but also being proactive. U.S. companies and trade associations have made extensive efforts to inform the public as well as the legal community on the issue of copyright protection. The greatest problems are in the area of sound and video recordings and especially software. In 1998, local audio-visual trade associations, including the Business Software Alliance, founded the Union of Audio-Visual Producers (ZPAV) to fight piracy. ZPAV actively helps the Polish authorities in prosecuting pirates and has lead an active public awareness campaign against piracy. For more information, please contact:

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(4) Trade Secrets

Trade sector technological secrets are protected under the Law Regarding Protection Against Unfair Competition of 1993.

V. Leading Sectors for U.S. Exports and Investment

A. Best Prospects for Non-Agricultural Goods/Services:

Best prospects are ranked by percentage of expected growth of U.S. exports over the coming year. All statistics shown are in U.S. dollars.

Sector Rank: 1
Sector Name: Computer Software
ITA Industry Code: CSF

The Polish software market has grown at a remarkable 30% annual rate during the past few years, reaching a total of approximately $560 million. Preliminary estimates for 1998 show an annual growth rate of 27%, with similar growth expected during the next two years. Over 60% of software sold on the market is manufactured by Polish companies; more than 25% of market share is held by U.S. companies.

Software development tools represent 38% of the software market, office software 26%, system software 20%, and communications software 16%. The financial and industrial segments of the economy are the main purchasers of software.

The spectacular growth in computer software sales is due in part to the growth of computer networking in many organizations and the upsizing of data base management systems. Excellent opportunities exist for special software in networking and tools.

USD Millions	1997	1998	1999*
A. Total Market Size	330	430	560
B. Total Local Production	211	263	346
C. Total Exports	70	98	127
D. Total Imports	189	265	341
E. Imports from the U.S.	83	130	190

* The above statistics are unofficial estimates.

Sector Rank: 2
Sector Name: Construction Materials and Equipment
ITA Industry Code: BLD

Strong and growing demand for construction materials is expected to continue through the next decade for both housing construction and major commercial projects. American companies constitute strong competition in the Polish market for the traditional suppliers from Germany, Italy, and Belgium. The domestic construction industry is also very competitive. Imported construction materials and equipment, particularly from the U.S., are preferred by Polish buyers.

Growth in the Polish market for construction materials and equipment is expected to continue at a high rate for at least the next two years.

USD Millions	1997	1998	1999*
A. Total Market Size	1,500	1,850	2,400
B. Total Local Production	1,700	2,200	2,300
C. Total Exports	600	650	800
D. Total Imports	800	900	1,100
E. Imports from the U.S.	80	100	120

* The above statistics are unofficial estimates.

Sector Rank: 3
Sector Name: Rehabilitation Equipment
ITA Industry Code: MED

There is growing demand for rehabilitation equipment in Poland, and the market presents excellent opportunities for U.S. suppliers. Best prospect products for American companies include wheelchairs, electric wheelchairs, wheelchairs for children, and active rehabilitation wheelchairs (used to play sports such as tennis, rugby and basketball), equipment for alleviating pressure sores, including pneumatic mattresses, hydrotherapy bathtubs and equipment and wheelchair lifts.

About 15% of Poland's population is considered to be disabled. More than 600,000 people have serious disabilities that require outside assistance. Polish made rehabilitation equipment is of low quality and much cheaper than the imported equipment. Wheelchairs for children and wheelchair lifts for buses, buildings and swimming pools are not produced in Poland at all. Price is the main factor considered by potential buyers. The second factor is the local availability of service and spare parts. Quality is usually the third element considered.

USD Millions	1997*	1998*	1999*
A. Total Market Size	N/A	N/A	N/A
B. Total Local Production	N/A	N/A	N/A
C. Total Exports	4.21	4.5	4.9
D. Total Imports	2.37	2.96	3.85
E. Imports from U.S.	0.139	0.17	0.20

* The above statistics are unofficial estimates.

Sector Rank: 4
Sector Name: Drugs and Pharmaceuticals
ITA Industry Code: DRG

The Polish pharmaceutical market presents excellent prospects for U.S. suppliers. In 1998, $2.45 billion worth of medicines were sold in Poland, and experts estimate that the value will increase by 9% annually over the next decade. The primary distribution channel for pharmaceuticals in Poland is through wholesalers, of which there are 913, and pharmacies, of which there are 7,000. Most pharmacies are privately owned.

According to World Bank projections, Poles will spend $4 billion annually on pharmaceutical products by 2001. Most major Western pharmaceutical companies are present on the market. Each year, about 3,000 applications for new drug registrations are presented to the Polish Drug Institute for approval. This number is about five times higher than in Western European countries. Currently, there are 12,000 drugs and medical materials registered in Poland.

USD Millions	1997*	1998*	1999*
A. Total Market Size	1,700	1,970	2,450

B. Total Local Production	1,400	1,500	1,900
C. Total Exports	500	550	625
D. Total Imports	300	470	550
E. Imports from the U.S.	90	95	114

* The above statistics are unofficial estimates.

Sector Rank: 5
Sector Name: Electrical Power Machinery and Equipment
ITA Industry Code: ELP

The Polish market offers significant sales opportunities for U.S. power equipment and services. Polish companies are familiar with and extremely receptive to U.S. products and services in the power sector. A new energy law, which recently came into force, will ultimately force Polish power companies to operate under competitive conditions, requiring major upgrades of power facilities. The best opportunities for U.S. companies include coal-fired fluidized-bed combustors, pollution control equipment, pumps and compressors, electrical systems, heat recovery systems, turbine generators and gas and steam turbines. U.S product offerings are particularly strong in cogeneration and clean-coal technology, two primary areas of interest to the Polish power sector.

U.S. firms face competition from European firms, as well as Polish manufacturers of power generating equipment. Large international groups have been examining investment and sales opportunities in Poland.

USD Millions	1997	1998	1999*
A. Total Market Size	1,439	1,500	1,550
B. Total Local Production	1,211	1,300	1,400
C. Total Exports	260	350	450
D. Total Imports	488	550	600
E. Imports from the U.S.	15	25	30

* The above statistics are unofficial estimates.

Sector Rank: 6
Sector Name: Plastics in Primary Forms
ITA Industry Code: PMR

There is a steady increase in sales in primary plastics. The per capita consumption of plastics in Poland is relatively low. However, it is anticipated that consumption will grow tremendously as advanced technologies are introduced in the market and the demand for packaging materials increases. The market has been growing over the last few years at a brisk average annual rate of 15%. Imports are growing even faster. Imports from the U.S. grew from $7.5 million in 1994 to $25 million in 1998.

The most commonly used plastics in Poland include High Density Polyethylene (HDPE), Low Density Polyethylene (LDPE), Polystyrene (PS), High Impact Polystyrene (HIPS), and Acrylonitrile Butadiene Styrene (ABS), Polyproppylene (PP). HDPE, LDPE, and PP are used in toys, housewares, appliances, and consumer goods. PS and HIPS are used for toys and inexpensive housewares. For engineering, polycarbonate, nylon, and PET are the most common plastics. They are used in production of car parts, refrigerators, computers, fiber optics, and many other high-tech products. The development of engineering plastics follows not only the improvement of their own technologies but also the development of other new and high-tech industries. The continued development of local automobile, electronic and electrical appliances will increase the demand for special plastics. Polyethylene terrephtalate (PET) is rated as one of the best prospects because of the projected growth of the production of bottles for beverages. PET bottles continue to be upgraded for carbonated beverages such as beer, alcohol, food products, and cosmetics in other countries; this will also be the trend in Poland.

USD Millions	1997	1998	1999*
A. Total Market Size	1,252	1,370	1,510
B. Total Local Production	503	510	520
C. Total Exports	125	140	160
D. Total Imports	874	1,000	1,150
E. Imports from the U.S.	23	25	30

* The above statistics are unofficial estimates.

Sector Rank: 7
Sector Name: Printing Equipment
ITA Industry Code: PGA

Growth in the Polish market for printing equipment is expected to continue at a high rate for at least the next two years. Rising demand for printing services has led to increasing demand for modern machinery. Poland does not manufacture printing equipment. U.S. printing equipment is known in Poland and well appreciated for its advanced technology and quality. Polish printing houses are gradually updating their equipment and reaching a level that satisfies domestic customers. These efforts are bringing Polish customers back to the domestic market after several years of contracting printing services abroad. Ever increasing demand for high quality published newspapers and magazines, books and packages make Poland an excellent market for U.S. suppliers.

Second-hand machines are also attractive to Polish buyers. U.S. suppliers face competition mainly from German, Swiss, Italian and British producers.

USD Millions	1997	1998	1999*
Imports	140	168	180
Production	12	14	16
Exports	4	4	5
Market	148	178	191
Imports from U.S.	12	16	19

* The above statistics are unofficial estimates.

Sector Rank: 8
Sector Name: Telecommunications Equipment and Services
ITA Industry Code: TEL

The Polish telecommunications sector is a large and important part of Poland's infrastructure. The Polish telephone network is estimated to be growing at an annual rate of 15%. There were 8.6 million telephone subscribers in Poland in 1998. Planned investments are estimated at $14 billion over the next ten years.

Until the end of 1999, supply of switching and transmission systems for public networks are limited to equipment designed and manufactured by Polish companies or by the three foreign companies that were given market exclusivity in the early 1990s. Those companies are Lucent Technologies, Alcatel and Siemens. All equipment connected to public networks must be type-approved (homologated) in Poland. The segments that are expected to display the fastest growth and best prospects for American producers in the coming year are in tele-information products and radio communication products.

Telecommunications services are one the most profitable business activities in Poland, enjoying profit margins of more than 19%. Poland's Telekomunikacja Polska S.A. (TPSA) will retain its monopoly over international telecommunication services until 2003. The first tenders for domestic long-distance services are expected in mid-1999 for companies that are majority Polish-owned. Domestic public services are open to foreign investors, subject to obtaining a license through tendering procedures. Internet, data transmission, VSAT and paging services are also open to foreign investors (up to 49%), upon obtaining a license; licenses for these services do not require going through a tendering process.

USD Billions	1997	1998	1999*
Total telecommunications Market size	3.6	4.4	5.3
Number of subscribers (millions):	7.5	8.6	10
Growth in the number of subscribers (thousands):	900	1,000	1,160
Rate of growth (%):	15%	20%	20%
Telephone density:	19.7	22	26

* The above statistics are unofficial estimates.

Sector Rank: 9
Sector Name: Airport/Avionics and Ground Support Equipment
ITA Industry Code: AVG

Poland has 157 airports, including eight major facilities. Warsaw Okecie Airport handled four million passengers in 1998, close to the design capacity of the terminal. The airport’s runways can handle aircraft carrying 14 million passengers annually. Thus, plans to enlarge the terminal’s capacity are to be made public shortly. A second airport for Warsaw is under consideration to accommodate long-term traffic growth. The Ministry of Transport’s airport development plan foresees expenditures of $2.5 billion early in the next century. The state-owned airport company, PPL, is also modernizing and expanding Poland’s other three international airports, which are located in Kracow, Katowice and Gdansk.

Between 1995 and 2005, Poland's domestic air traffic is expected to increase by as much as 120%. Cargo traffic (domestic and international) is expected to increase by as much as 100%. Best prospects for U.S. companies include air traffic control equipment and airport design and construction services.

USD Millions	1997*	1998*	1999*
A. Total Market Size	12.7	13.5	15.5
B. Total Local Production	5.0	5.0	5.0
C. Total Exports	1.5	1.5	1.5
D. Total Imports	9.2	10.0	12.0
E. Imports from U.S.	2.6	3.0	3.5

* The above statistics are unofficial estimates.

Sector Rank: 10
Sector Name: Computers and Peripherals
ITA Industry Code: CPT

Demand for information technology products in Poland is expected to remain strong. The total information technology market reached a value of approximately $2.2 billion, with at least $1.2 billion spent on computers and peripherals. The Polish computer hardware market grew approximately 17% in 1998 and is expected to grow approximately 15% annually over the next two years.

The personal computer (PC) sector is estimated at approximately $800 million, roughly 37% of the total computer market. Since 1997, PC sales have been increasing steadily each year by about 13%. This trend is expected to continue over the next two years. Equipment made or assembled in Poland dominates the PC segment of the market.

The main buyers of computer equipment financial, transportation, telecommunications, manufacturing, trade, administration and science and education organizations. Individual users, small and medium size companies and the education sector significantly increased their purchases of computer equipment in 1998.

USD Millions	1997	1998	1999*
A. Total Market Size	947	1,071	1,250
B. Total Local Production	587	641	734
C. Total exports	140	170	204
D. Total Imports	500	600	720
E. Imports from the U.S.	188.6	217	250

* The above statistics are unofficial estimates.

Sector Rank: 11
Sector Name: Food-Processing Equipment
ITA Industry Code: FOD

Growth in the Polish market for food processing equipment is expected to remain strong in the coming years. The largest segments of the market are: meat and poultry processing (19.0%), spirits and yeast (18.0%), dairy products (12.0%), sugar and sweets (12.0%), tobacco products (10.0%), and breweries (7.0%).

The largest food processing equipment investments are by producers of sugar, beer, food concentrates, vegetable oil, dairy products, snack foods and vegetable and fruit juices. The food industry is expected to enjoy a steady growth rate of 5% over the next few years. Investments in the food processing industry are expected to be between $1.2 and $1.5 billion per year during that time period. The procurement of food processing technology, including equipment, is estimated to be $0.8 billion annually.

Domestic production of food-processing equipment does not meet overall market demand. The majority of food processing equipment is imported. The largest share of imports are reported in the brewery equipment group. The second largest group of imports include technology and machines that make candy, cocoa, chocolate, and sugar. The best opportunities for U.S. companies are equipment for processing fruits, vegetables, tea, and coffee. Poland's eventual integration with the European Union will force adjustments in its food processing industry to meet western quality, technology, sanitary, and ecological standards; these changes will require significant new investments in food processing equipment.

About 40% of all food processing equipment is imported from Germany. The other large suppliers are Italy, Switzerland, the United Kingdom, the Netherlands, Austria and the United States.

USD Millions	1997	1998	1999*
A. Total Market Size	313	345	375
B. Total Local Production	110	125	140
C. Total Exports	35	40	45
D. Total Imports	238	260	280
E. Total Imports from U.S.	12	14	16

* The above statistics are unofficial estimates.

Sector Rank: 12
Sector Name: Toys and Games
ITA Industry Code: TOY

The Polish market for toys and games continues to grow steadily. It is expected that the total market for these products will grow between 3% and 5% annually.

Domestic production of toys and games does not meet overall market demand, and imported toys and games are the basic source of supply. Poland specializes in the manufacturing of plush and stuffed animals and dolls, wooden and wicker toys, and ornamental bulbs for Christmas trees. Domestic toy manufacturers are export-oriented. The majority of their production is exported to EU countries and the U.S.

The largest share of Polish toy imports are mechanized military toys, construction ("building block") toys, dolls, doll accessories and toys representing animals. There is growing demand for toys and games with electronic applications. Most major international toy companies are present in Poland. Poles prefer to buy imported toys.

China supplies slightly more than half of Poland's toy and game imports. The other leading suppliers are Italy, Taiwan and the United States.

USD Millions	1997	1998	1999*
A. Total Market Size	109	112	117
B. Total Local Production	39	42	44
C. Total Exports	92	100	105
D. Total Imports	162	170	178
E. Total Imports from U.S.	12	14	16

* The above statistics are unofficial estimates.

Sector Rank: 13
Sector Name: Heating, Ventilation and Air Conditioning Equipment
ITA Industry Code:

Demand for heating and air conditioning equipment in Poland focuses on imported products. Local production is small and is not expected to grow during the next three years. The number of European products (mostly from Germany, Italy and France) present on the market is growing. U.S. equipment, though not as well known as European equipment, is perceived favorably in Poland. Construction and building projects, both large and small, present excellent opportunities for American suppliers.

USD Millions	1997	1998	1999*
A. Total Market Size	647	739	838
B. Total Local Production	318	375	420
C. Total Exports	172	179	182
D. Total Imports	501	543	600
E. Imports from the U.S.	6.7	7.9	9.0

* The above statistics are unofficial estimates.

Sector Rank: 14
Sector Name: Computer Services
ITA Industry Code: CSV

Computer services are considered to be among the most dynamic segments of the Polish computer market. Services represent approximately 21% of the total computer market, currently estimated at $460 million. This segment is expected to grow 30% annually. The services segment growth rate is higher than the average of the computer sector as a whole; the market is moving toward technology applications and services in place of just technology itself.

Computer services include integration services, computer educational training, consulting, hardware maintenance and services, and data processing. Integration services are the fastest developing segments of the services market.

The Internet services market is estimated at $200-250 million. The development of web sites is the most active segment in the Internet services market.

USD Millions	1997	1998	1999*
A. Total Market Size	382	445	570

* The above statistics are unofficial estimates.

Sector Rank: 15
Sector Name: Automobile Parts and Components
ITA Industry Code: APS

The market for automobile parts and components has grown significantly over the past several years. This trend will continue as the number of cars registered in Poland grows. Investments by some of the world's major car manufacturers (Fiat, General Motors-Opel, Volkswagen, Ford, Peugeot, Daewoo) have significantly expanded the market for car parts. American automobile parts and accessories enjoy an excellent reputation for reliability and quality in Poland.

There are 8.5 million passenger cars registered in Poland. This number is likely to grow to 10 million by 2000 and to 15 million in 2010. In the past few years the number of new passenger cars annually registered in Poland has been growing rapidly, reaching an all-time high of 515,000 in 1998.

Experts estimate that the Polish car market is capable of absorbing some 500,000-600,000 new passenger cars annually. More than half of the cars registered in Poland were made more than five years ago. This translates into a continuing significant market for replacement parts for the next five to seven years.

USD Millions	1997	1998*	1999*
A. Total market size	1,631	1,810	2,080
B. Total local production	725	900	1,100
C. Total exports	282	325	370
D. Total imports	1,188	1,235	1,350
E. Imports from the U.S.	8.16	10.6	12

* The above statistics are unofficial estimates.

Sector Rank: 16
Sector Name: Pollution Control Equipment
ITA Industry Code: POL

Poland is the largest single environmental market in Central Europe. Solving air, soil and water pollution problems is a major priority for the Polish government. Since 1990, environmental investments have increased more than three times as a percentage of GDP, reaching 1.7% of GDP in 1998 (an increase from $580 million to $2 billion). Poland has been very successful in obtaining environmental financing through fees and fines based on “the polluter pays” principle.

The market for pollution control equipment has grown steadily over the last few years and is expected to increase rapidly. U.S. exports of pollution control equipment to Poland have grown significantly in the past few years. While U.S. products are considered to be the best quality, they face strong competition from European suppliers, especially German (ranked 1st in market share), Swedish (ranked 2nd), and Italian (ranked 3rd). The U.S. is ranked 4th in exports of pollution control equipment to Poland.

Competitiveness of products offered by European producers is based on lower shipping costs and lower customs rates for EU suppliers.

USD Millions	1997	1998*	1999*
A. Total market size	430	458	514
B. Total local production	150	160	160
C. Total exports	39	42	46
D. Total imports	319	340	390
E. Imports from the U.S.	19.5	21	22

* The above statistics are unofficial estimates.

Sector Rank: 17
Sector Name: Sporting Goods
ITA Industry Code: SPT

Imports are the basic source of supply for the Polish sporting goods market. In 1998, imported products accounted for 72% of the total market. Many sporting goods products are not produced domestically, especially technically advanced products such as fitness equipment, ski bindings and boots, skis, snow boards, roller skates, golf equipment and tennis equipment. The product mix of Polish manufacturers is rather uneven, including mainly footwear, sportswear, outdoor/camping equipment (tents, mattresses, etc.) and bicycles. Although the dollar value of domestic production exceeds that of imports, most Polish-made products do not supply the Polish market. Seventy-eight percent of Poland's 1998 production was exported.

The Polish sporting goods market is very price sensitive because sporting goods are not at the top the average Polish consumer’s shopping list. For the advanced end-user segment of the market, quality, strong local brand recognition and opinions about particular firms and their products are the most important factors. Foreign brands, particularly American, have an appealing image (especially among the younger population), and a reputation for high quality. The sporting goods sector suffered considerably over the past three years, but post believes that rising incomes and a growing middle class will soon produce a turn-around. This is an excellent time for U.S. producers to start identifying potential agents and distributors for this large European market.

USD Millions	1997	1998	1999*
A. Total Market Size	210	180	152
B. Total Local Production	220	225	227
C. Total Exports	170	175	180
D. Total Imports	160	130	105
E. Imports from U.S.	3	3	3

* The above statistics are unofficial estimates.

Sector Rank: 18
Sector Name: Health Care Services
ITA Industry Code: HCS

The health care services market in Poland offers excellent opportunities for U.S. companies. Poland is the largest healthcare market in Central Europe. A major health care reform law took effect on January 1,

1999. This reform transferred the responsibility of ownership and management of health services to local governments. Local governments administer "Sick Funds" that contract out services from healthcare providers for consumers. The reform has decentralized the national health care system. The new system is expected to create a solid foundation for the development of private healthcare services, including the potential of introducing private health care providers.

The health system in Poland consists of public hospitals and outpatient clinics that provide free services, and a slowly growing private sector. In 1997, there were 717 general hospitals operating in Poland with a total number of available beds of 210,000. Approximately five million Poles were hospitalized in 1997. The average hospital stay was 11 days. The most common causes of death in Poland are cardiovascular disease, cancer, injuries and accidents, and accidental poisoning. Contagious diseases, especially tuberculoses and hepatitis, are still an important concern. About 24% (9.5 million) of the population is retired, and another 11.5% (4.5 million) are considered handicapped. These groups are the biggest consumers of healthcare services in Poland.

Private medical firms (Polish and foreign) have begun to offer health care services for individuals and companies. These companies provide basic medical services internally, while contracting some or all specialized services with third parties. They cooperate with specific hospitals to provide clients with hospitalization services. As Poland's economy continues to improve and health reform is fully implemented, it is expected that consumers will increasingly turn to private health care companies.

B. Best Prospects for U.S. Agricultural Products to Poland:
(In thousand metric tons, unless otherwise noted)

Sector Name: Corn
PS&D Code: 11

Continuing expansion of Poland's livestock sector should increase utilization of higher-quality feed inputs and demand for imported corn. Both poultry and swine production based on commercially produced feeds are expanding as the transition to the market economy continues.

Thousand Metric Tons	1998	1999*	2000*
A. Total Market Size	885	885	886
B. Total Local Production	496	500	480
C. Total Exports	0	0	0
D. Total Imports	200	400	400
E. Total Imports from U.S.	.3	0.4	0.6

* The above statistics are unofficial estimates.

Sector Name: Poultry Meat
PS&D Code: 53

Polish poultry meat demand and production continue to grow. Poultry meat imports are constrained by high tariff rates. Tariff rate quotas linked to domestic production levels provide some relief. Imports of poultry meat for processing and re-export are not constrained by tariffs. Poland has become an important transshipment point for poultry products to the countries of the former Soviet Union. Poland imports significant quantities of mechanically de-boned turkey and chicken meat which are processed, primarily into sausage products, and then shipped to customers in Russia, Ukraine and the Baltics.

Thousand Metric Tons	1998	1999*	2000*
A. Total Market Size	518	520	525
B. Total Local Production	494	495	498
C. Total Exports	27	25	25
D. Total Imports	49	47	48
E. Total Imports from U.S.	28	26	26

* The above statistics are unofficial estimates.

Sector Name: Soybeans
PS&D Code: 06

Relying largely on rapeseed as an input for the domestic oilseed crushing industry, Poland typically imports approximately 10,000 tons of soybeans annually. However, 50 percent of this total is imported by companies equipped with extruders to utilize full-fat soybean soybeans in feed formulas. According to industry sources, the feeds produced based on the full-fat formula are in high demand. Periodic shortages of domestic rapeseed, increasing demand for soybean meal and occasional favorable prices for US soybeans relative to South American soybeans offer potential for substantially higher imports of US soybeans. With increasing foreign investment in the Polish oilseed crushing, capital is available to retool facilities to capitalize on favorable conditions for processing soybeans when they arise.

Thousand Metric Tons	1998	1999*	2000*
A. Total Market Size	8	8	8
B. Total Local Production	0	0	0
C. Total Exports	0	0	0
D. Total Imports	8	8	8
E. Total Imports from U.S.	0	0	0

* The above statistics are unofficial estimates.

Sector Name: Soybean Meal
PS&D Code: 06

Feed manufacturing requirements for the Polish swine and poultry industry results in stable import demand for soybean meal in Poland. U.S. suppliers must contend with Polish government restriction on a perceived risk of live weed seeds in low-protein soybean meal resulting in increased risk. However, during a certain window during the year when U.S. soybean meal is competitive with alternative suppliers substantial imports of high-protein U.S. soybean meal enter Poland (worth $225,170 in 1997).

Thousand Metric Tons	1998	1999*	2000*
A. Total Market Size	860	901	904
B. Total Local Production	0	0	0
C. Total Exports	0	0	0
D. Total Imports	900	900	902
E. Total Imports from U.S.	55	55	56

* The above statistics are unofficial estimates.

Sector Name: Durum Wheat
PS&D Code: 11

Growing demand for potato alternatives such as pasta together with growing competition between major pasta producers is providing the framework for more focus on quality. Consequently, U.S. durum should be in a good position to secure a strong share of the market. However, traders express concern about the risk of importing (even) durum stemming from Poland's insistence on maintaining a zero tolerance on several weed seeds commonly found in imports of U.S. grain and oilseeds.

Thousand Metric Tons	1998	1999*	2000*
A. Total Market Size	74	100	100
B. Total Local Production	0	0	0
C. Total Exports	0	0	0
D. Total Imports	74	100	100
E. Total Imports from U.S.	14	25	25

* The above statistics are unofficial estimates. In 1998, official statistics published for durum imports were low because some durum wheat was registered as non-durum wheat due to no difference in tariffs between durum and non-durum wheat. It is estimated that with usual pasta production of 120,000 mt annually, demand for durum is at least 100,000 mt assuming that part of durum flour in pasta production is blended with non-durum wheat.

Sector Name: Peanuts
PS&D Code: 06

Growing incomes and proliferation of roadside convenience stores along with increased vehicular travel have contributed to a strong growth in demand for snack foods in Poland. Foreign investment in the Polish confectionery industry has also supported import demand from the United States for this product in particular. These trends should continue to support continued strong growth in imports of this product.

Thousand Metric Tons	1998	1999*	2000*
A. Total Market Size	27	28	30
B. Total Local Production	0	0	0
C. Total Exports	2.5	2.4	2
D. Total Imports	29	29	30
E. Total Imports from U.S.	2.4	2.5	2.8

* The above statistics are unofficial estimates.

Sector Name: Cotton
PS&D Code: 04

The U.S. has been priced out of this market due to cheap Uzbek cotton and the false notion that Polish machinery cannot utilize U.S. cotton. Polish importers have been able to successfully utilize U.S. cotton donated to Poland in FY 1996. According to Polish statistics, Poland imported over $6.3 million worth of cotton from the U.S. in 1997 when U.S. prices were favorable to other suppliers. Given the recent experience with U.S. cotton, imports of U.S. cotton are poised to resume during period when prices between U.S. and Uzbek cotton narrow.

Thousand Metric Tons	1998	1999*	2000*
A. Total Market Size	74	75	76
B. Total Local Production	0	0	0
C. Total Exports	1.5	1.5	1.6
D. Total Imports	76	76	76
E. Total Imports from U.S.	0.3	0.3	0.3

* The above statistics are unofficial estimates.

Sector Name: Seafood
PS&D Code: 54

Poland’s marine catch is declining at the same time domestic fish consumption and exports of processed fish are growing. As a result, opportunities to supply raw materials to the Polish fish processing industry and consumer-oriented fish products to the Polish retail market are increasing. Poland’s per capita consumption of fish is estimated at 6.6 kg/person; roughly one-third of per capita consumption in the EU. As Poland’s economy continues to improve and dietary focus shifts to healthier dishes, fish consumption and imports are expected to sharply increase.

Thousand Metric Tons	1998	1999*	2000*
A. Total Market Size	215	216	217
B. Total Local Production	97	90	85
C. Total Exports	16	15	14
D. Total Imports	129	131	133
E. Total Imports from U.S.	0.5	0.8	1.2

* The above statistics are unofficial estimates.

Sector Name: Dried Prunes
PS&D Code: 10

Growing incomes and proliferation of roadside convenience stores along with increased vehicular travel have contributed to a strong growth in demand for snack foods in Poland. Foreign investment in the Polish confectionery industry has also supported import demand from the United States for this product in particular. These trends should continued to support continued strong growth in imports of this product.

Thousand Metric Tons	1998	1999*	2000*
A. Total Market Size	0.4	0.5	0.7
B. Total Local Production	0	0	0
C. Total Exports	1.6	1.6	1.7
D. Total Imports	2	2.1	2.4
E. Total Imports from U.S.	1.9	2	2.2

* The above statistics are unofficial estimates.

Sector Name: Grapefruit
PS&D Code: 24

Despite a 10% lower import tariff for Spain and 0% import tariff for Israel, US exports of grapefruit (primarily ruby red) to Poland have more than doubled every year since 1992 and market share has increased from 2% in 1993 to 12% in 1996. US grapefruit sales are handled almost exclusively through Dutch and, to a lesser extent, German intermediaries who offer some credit terms and increased flexibility regarding size and timing of shipments to Polish importers. However, imports are large enough ($1.6 million in 1997) that Polish importers on a 1998 Cochran Program decided to purchase directly from the US. Even if Poland doubles grapefruit imports as expected by 2002, per capita consumption levels will still be substantially below average Western European levels.

USD - Million	1998	1999*	2000*
A. Total Market Size	18	19	20
B. Total Local Production	0	0	0
C. Total Exports	1.7	2.2	2.8
D. Total Imports	18	19	20
E. Total Imports from U.S.	.68	.78	.87

* The above statistics are unofficial estimates

C. Significant Investment Opportunities:

Privatization has been slow, especially in what the Polish Government regards as “strategic sectors”: banking, insurance, telecommunications, mining, steel, defense, transportation, energy, and broadcasting. A bill passed by Parliament in the summer of 1995 gave much of the authority for privatization to the Parliament and emphasized “commercialization,” turning State enterprises into treasury-owned joint stock companies before truly privatizing them.

New privatization plans for 1999 include banks: PeKaO S.A. and Bank Zachodni S.A.; insurance giant PZU S.A.; the national airline LOT; the telecom monopoly TPSA; oil and gas company NAFTA Polska; iron and steel works; the spirits sector; and a series of power generation plants. The Government also has a 52.1% stake in the copper holding company KGHM Miedz and plans to sell shares to a few institutional investors. In 1999, Polish Oil & Gas Company, the insurance sector and sugar factories will be privatized. Privatization of the chemical sector (including pharmaceuticals and synthetic fertilizers) and several trade entities and distribution chains (Domy Centrum, Orbis, Ruch) which started in 1996 will continue. In 1996, companies under the Mass Privatization Program moved closer to privatization, and many of them were sold to strategic investors. The National Investment Funds, which manage the Mass Privatization firms, have been listed on the Warsaw Stock Exchange since June 1997.

The Government of the United States acknowledges the contribution that outward foreign direct investments make to the U.S. economy. U.S. foreign direct investment is increasingly viewed as a complement or even a necessary component of trade. For example, roughly 60% of U.S. exports are sold by American firms that have operations abroad. Recognizing the benefits that U.S. outward investment brings to the U.S. economy, the Government of the United States undertakes initiatives, such as Overseas Private Investment Corporation (OPIC) programs, investment treaty negotiations and business facilitation programs, that support U.S. investors.

Banking and Financial Services

The post-1989 reforms of the banking and financial sector led to the Polish National Bank NBP being divided into nine medium size regional banks for eventual privatization. Five are already private, one is currently being privatized, and the other three should be privatized before the year

2000. At the same time, changes in banking laws have allowed foreign investors to operate in this market. There are many foreign banks licensed to operate in Poland.

A logical trend towards consolidation of the banking industry began in the past year with mergers between Polish banks and some acquisitions of Polish banks by foreign banks. The consolidation has also involved insurance companies and will likely lead to the creation of major financial institutions. According to international financial experts, the Polish banking market is likely to be the fastest growing in Europe over the next five years. During this period, average real annual growth rates in Polish zloty terms are forecasted to be 13% to 15% for the assets of Polish banks and 16% to 18% for retail deposits. According to international consulting firms, the number of permanent users of banking services is increasing at the rate of 2% yearly, and is already at 30% of households. However, by the end of the first quarter of 1998, Poland had only six million current accounts. That number is expected to explode in the next three years, with the number of current accounts growing nearly 70% by 2000. It is still far from the approximately 80% usage rate of Germany, making this a promising market for those who enter.

Insurance

The Polish insurance market continues to be liberalized. As of January 1, 1999, insurance companies located outside Poland are allowed to sell their policies directly in Poland. There are 54 licensed insurance companies, including more than 20 with foreign capital. Of the 55, 24 are in the life-insurance business and 31 in the non-life business. In 1997, non-life insurance companies collected USD 2.89 billion in premiums, while life insurance companies collected USD 1.51 billion, a 27.5% increase over 1996.

PZU S.A. (Panstwowy Zaklad Ubezpieczen) still dominates the Polish market with about a 63% share and collected premiums in 1998 totaling more than USD 1.7 billion. PZU is still state owned, but privatization is expected to be started before the end of 1999.

Poland is the biggest insurance market in Central and Eastern Europe. Strong economic development, a decreasing level of inflation, and the progressive adjustment of legal regulations to EU directives create a good climate for investment opportunities in the insurance sector. Competition from foreign investors and the move toward a fully open and free market have started a trend towards consolidation in which large banks are taking part.

Power Industry

The Polish electrical power sector consists presently of three subsectors: generation, transmission, and distribution. As a system it is the largest in Central and Eastern Europe. Power is generated in 56 thermal power plants, of which 33 are combined power and heat plants. The installed generating capacity of the power stations is 33,000 MW. In 1998 the gross domestic production of electricity reached 143,000 gigawatts. All thermal power plants are coal-fired.

T
he Polish electrical power sector has been in dire need of modernization and refurbishment in order to create an economically efficient industry capable of meeting national energy requirements. The cost of modernization by 2010

is estimated at USD 50 billion. Modernization is needed to replace 16 gigawatts of obsolete installed capacity and to satisfy stricter ecological standards that will take effect between the years 1999-2001. Out of this amount, USD 15 billion is needed for the modernization of existing power plants. A substantial portion of the modernization cost will be covered by income generated from privatizing the power enterprises.

The sector is currently undergoing significant changes as it prepares for deregulation. The major trends in the power generation sector include liberalization of the electric energy market, deregulation, and privatization of energy sector enterprises. In December 1997, a new energy law created a solid legal framework for a competitive energy market based on third party access and a licensing system. The independent Energy Regulatory Agency was created to ensure competition within the energy sector.

The 1997 energy law opens the way to privatization of power generation enterprises and places Poland's energy sector on an equal footing with more liberal European countries. The law safeguards and facilitates foreign investment in Poland's energy sector, which, over the next 5-6 years, will lead to the development of a privatized electricity market. Eventually, prices for power producers, distributors, and trading companies will no longer be set by the Polish government, but verified by the electricity exchange and contract market. The Energy Regulatory Agency only supervises compliance with license and market rules.

Multilateral lending institutions such as the World Bank and the European Bank for Reconstruction and Development are interested in investing in Poland's power sector. The EBRD is focusing on joint venture arrangements in large turbines, gas-fired turbines, and hydro turbines as the best opportunities in the sector. The World Bank is also heavily involved in financing in the Polish power sector, including modernization projects within power generation, transmission, and distribution.

Oil and Gas Industry

The Polish Oil and Gas Company (POGC)is the major producer of oil (very marginal) and natural gas in Poland. The POGC holds a monopoly on the importation, transmission, storage, and distribution of natural gas. In order to reduce the overwhelming dependence on domestic coal and imported gas, Poland intends to develop exploration and production of methane gas from hard coal deposits in Silesia. In 1991, licensing was made available to foreign companies for oil and gas exploration and production in Poland. Several U.S. and foreign oil and gas companies are involved in the exploration of methane, natural gas, and oil in Poland.

According to government forecasts, by 2010 gas consumption will increase to 22-27 billion cubic meters annually (USD 11 billion cubic meters today). To meet the increasing requirements for gas, Poland is participating in the construction of a natural gas pipeline from Siberia to Western Europe. In 1996, the Polish Oil and Gas Company and Russian Gazprom signed a contract for delivery of 250 billion cubic meters of natural gas over the next 25 years through the Yamal pipeline. Annual shipments will amount to 14 billion cubic meters of natural gas. The implementation of an investment of this type will create the need for improved distribution systems and increased gas-storage capacity. Construction of two underground storage facilities has begun. Several others are planned to be built according to the bid procedure opened to foreign companies.

The Polish Government has designated the oil industry as one of the sectors of strategic importance for national security. The domestic refining industry only partly meets the demand for oil products; approximately 20% of liquid fuels are imported. The oil sector, for both production and distribution, has required substantial investments in order to be competitive with the rest of the world. Major problems faced by the petroleum industry in Poland include lack of capital, obsolete technology, poor energy efficiency, excessive use of raw materials, low utilization of existing capacity (below 80%), and burdens on the environment.

The majority of refineries in use today were constructed in the 1960s and 1970s and need modernization. The two largest refineries, Plock and Gdansk, are embarking on modernization programs worth more than USD 1.5 billion. The Plock and Gdansk refineries are eager to use U.S. technology, which enjoys an excellent reputation among Polish specialists, in their modernization investments. In addition, there is a need for additional storage capacity for fuel reserves.

The government has signed agreements with the World Bank and the European Investment Bank on loans for the energy sector. A substantial part of the loans to Poland were allocated for technological development in the oil and gas sector. The gas extraction industry was recognized as a key element in the restructuring of the overall national economy and the protection of the natural environment. Out of a total USD 310 million allocated, some USD 200 million will be used for technical restructuring in the oil industry, including the purchase of new equipment for geophysics, drilling and production installations.

The Yamal-Europe Transit Gas Pipeline Construction

The Yamal-Western Europe transit gas pipeline, more than 4,000 km long, will carry natural gas supplies from the richest Siberian reserves to Germany and other Western European countries across the territories of Russia, Belarus and Poland. This enormous investment project is estimated at USD 35 billion.

The Polish and Russian governments signed an agreement for the pipeline construction in 1994. According to this agreement, a tendering process will select construction companies and suppliers, primarily from Polish and Russian bidders, on a strictly competitive basis. Other international companies will be considered if neither Polish nor Russian companies qualify.

The Polish section of the gas pipeline is being designed, constructed and managed by EuRoPol GAZ S.A., a joint-venture founded in 1993 between the State-held Polish Oil and Gas Company (48%), Russian Gazprom (48%) and a Polish company, Gas Trading S.A. (4%). EuRoPol GAZ S.A. will be the owner of the Polish section of the gas pipeline.

The construction cost of the Polish section of the pipeline is estimated at USD 2.5 billion, making it the largest infrastructure investment in Poland to date. The Polish section of the pipeline will run from Kondratki, on the Polish border with Belarus, to the German border town of Gorzyca and will carry 65.7 BCM of natural gas. Two parallel gas pipelines are planned, each 665 kilometers long. The first pipeline is planned to become fully operational in 1999, along with five compressor stations. The second line will be completed in 2010. The construction of both lines is divided into several parts.

The construction of the first 107-kilometer long stretch of the pipeline, from Gorzyca on the Polish-German border to Lwowek near Poznan, was completed in 1996. The general contractor selected for this USD 400 million segment of the project was a consortium of five Polish energy and gas construction companies. EuRoPol GAZ selected the consortium through a tendering process. Construction of the second part of the pipeline, from Lwowek to Wloclawek, is in process and is being performed by the same consortium. The construction of the third 365-kilometer part of the pipeline running from Wloclawek to Kondratki started in the summer 1998 and is being performed by two Polish companies: Bug Gazobudowa (Wloclawek, Plock and Ciecahnow region), and Karpaty (Lomza and Bialystok region). Although the general contractor has been selected, there are still opportunities for U.S. providers of relevant materials and equipment not available from Polish or Russian companies.

In November 1996, EuRoPol GAZ S.A. announced the tender for construction of the first two, out of a total of five, compressor stations for the pipeline. There was an invitation for submitting pre-qualified bids for turn-key operations of the Wloclawek and Kondradki compressor stations. The bid winner was officially announced in January 1998. ABB Zamech was selected as the contractor for this project. The contract was signed on May 21, 1998. In January 1998, four companies, including foreign companies, were selected for negotiating contracts, including: Bug Gazobudowa, Karpaty S.A., Ludwig Freytag Gmbh (Germany), and Preussag Ag (Germany). The teleconnection system will be provided by Alcatel Polska S.A. (contract signed on June 19, 1998). Companies included in this list are currently negotiating with EuRoPol GAZ.

EuRoPol GAZ S.A.
Mr. Jerzy Adamczyk, President
Aleja Stanow Zjednoczonych 61
04-028 Warsaw
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Restructuring and Privatization of the Polish Oil Industry

The oil sector generates 8.5% of Poland's gross domestic product and over USD 400 million of profit. The petroleum industry needs restructuring in order to successfully face the foreign competition that will result from the reduction of fuel import quotas and customs barriers. The total cost of restructuring is estimated at USD 3 billion.

In accordance with the government program for oil sector restructuring, the state-owned joint stock company, Nafta Polska S.A., was created in 1996. Nafta Polska S.A. holds minority stakes in the strategic companies of the petroleum sector, including all seven refineries, the oil transportation company DEC, and the former gasoline distributor and retailer monopoly, CPN. Each of the relevant enterprises comprises an independent joint-stock company in which the Treasury holds a strategic block of shares.

Nafta Polska S.A. is responsible for the supervision and implementation of the government's program for oil sector restructurization and privatization. The current restructurization and privatization program for Poland's oil sector calls for merging the largest Polish refinery, Petrochemia Plock, with the fuel distributing and retailing company CPN, creating a new company called Polish Oil Concern (PKN). PKN will be privatized through a public share offering on local and foreign stock exchange markets. The merger of these two large companies was initiated in November of 1998 and is now in the final stages. According to the planned timetable, the Polish Oil Concern should be in place in July 1999, with the prospectus available in September 1999 and an offering of 45% of company shares on the stock exchange in November 1999. However, a group of CPN shareholders has sued CPN management over its decision to merge with Petrochemia Plock. The issue in question is the price of CPN shares versus the price of PKN shares. This suit may delay the registration process of the Polish Oil Concern as well as the subsequent privatization process.

The second largest refinery, Gdansk Refinery, was planned to be privatized by the end of 1998 through the sale of more than 50% of its shares to a strategic investor. In July 1998, Nafta Polska, the state-owned holding company that supervises privatization in the oil sector, extended invitations to firms seeking a controlling stake in Gdansk Refinery. However, only three companies have expressed interest in the offer, and only one has placed a bid. Nafta Polska did not accept the offer because the price proposed was only one-third of that predicted in the pre-privatization analysis. The Ministry of State Treasury has prepared several new proposals for possible Gdansk Refinery privatization. One possibility is to look for a strategic investor again; the others include company privatization through the public offering on the stock exchange or selling the refinery share package to the Polish Oil Concern. Implementation of these proposals would make Polish Oil Concern a monopoly. A sale of Gdansk Refinery to an investor outside the Polish oil industry would guarantee development of two competitive oil concerns.

In May 1998, the Council of Ministers decided that the Oil Rail Tank Company, DEC, should be privatized by the end of 1999. However, the DEC privatization plan has not yet been prepared. According to the Ministry of State Treasury, proposals for this privatization should be in place by the end of September 1999. The method and schedule of privatization of Oil Pipeline Exploitation Company are still unknown.

The three remaining southern refineries will be privatized separately. In the case of Czechowice, the prospective investor is requested to expand the plant's processing capacity to 2 million tons and participate in financing for the petrochemical segment of the planned Poludnie complex.

Nafta Polska S.A.
Mr. Marek Foltynowicz, Board Member
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00-013 Warsaw
tel. (48)(22) 827-08-76
fax. (48)(22) 827-31-05

Tourism Development

Poland is widely recognized as an important destination in the global tourist market. It ranks among the top ten countries in the world with regard to the number of visitors about thirteenth with regard to the revenue generated from tourism (in comparison to sixty-fourth in 1991). The growth of Polish tourism has outpaced growth in traditional tourist giants such as Greece and Switzerland. Each year, Poland was visited by almost 90 million foreigners, five times more than in 1990. The tourist sector has been growing and this trend is expected to continue in the future. Tourism has encouraged the development of infrastructure and accommodations in Poland. In 1997, the number of accommodation facilities increased by 800 and reached a total of 12,000. The number of rooms in hotels rose by nine percent to 45,000. The number of rooms in boarding houses rose by 16 percent to 8,050.

Poland is a leader among Eastern European countries that supply visitors to the U.S. The number of Polish visitors to U.S. accounted for 20% of all Eastern European visitors (382,486 in 1997). The number of Polish travelers to the U.S. is increasing at a 20% annual rate. The potential for growth in outgoing tourism to the U.S. is significant. Poles have begun to travel more frequently than citizens from some Western European countries. The U.S. has a special image as a country of freedom to Poles, which makes the U.S. a popular tourist destination. The significant barrier limiting the growth and development of Polish tourism to the U.S. is the requirement to obtain a visa prior to entering the U.S.

According to the World Bank and International Monetary Fund reports, the Polish tourism industry has great potential to contribute to the restructuring of the national economy and Poland's competitiveness in the European market. PHARE TOURIN funds have been assigned by the European Community to support development of the Polish tourism sector.

Poland possesses adequate assets and tourist attractions as well as a sufficiently developed network of tourist services. Poland's diversified natural conditions provide potential for tourism in the mountain regions, at the seaside, in the lake districts, and in the countryside. Approximately 40% of foreign loans granted to Polish entities have been invested in tourism. The foreign capital engaged in the Polish tourism sector amounted to USD 1.2 billion in 1997.

There is a strong demand for new hotels in Poland, especially in large cities. Orbis S.A., the leading Polish travel agency and owner of the largest hotel chain in Poland has been privatized. Orbis Hotels owns 54 hotels in Poland. Several international hotel companies have recently developed hotels in large Polish cities. Holiday Inn Worldwide signed a franchise agreement this year with a Polish company, Global Hotels Development Group Poland S.A. (GHDG) to develop 20 hotels in Poland within 10 years. The total investment is estimated at USD 116 million and will include construction of four luxury Crowne Plaza hotels, ten Holiday Inn Express hotels at USD 5 million each, and four standard Holiday Inn hotels at USD 12 to USD 18 million each. GHDG also plans to modernize existing hotels and introduce them into the Holiday Inn chain. There is a tremendous need to develop moderate tourist accommodations in Poland to meet European and world demand. Moreover, investment in leisure activities, such as ski lifts, tennis courts, open and indoor swimming pools, golf courses, and bowling centers, is desperately needed.

Rail and Road Transportation

Poland's transportation network, suffering from years of neglect, is in dire need of upgrade and refurbishment. Only 15% of roads can be classified as good quality, some 50% of roads are not in satisfactory condition and need immediate upgrading work, and 35% are considered very poor.

To help meet this need Poland has planned a new system of toll roads operating alongside the already existing transportation infrastructure.

The program calls for approximately 2,500 km of highways to be built in Poland over the next 15 years with a total cost estimated at USD 8 billion. The plan, approved by the Parliament in 1994, provides for the construction of four highways. They will channel traffic between Western Europe and Poland's eastern neighbors and connect the Baltic coast with the southern borders. Each segment of the highway will be built individually by prime contractors.

The highway routes were selected on the basis of traffic volume. Tollways were supposed to be built under a license, Build Operate Transfer (BOT), with both private and public investors as participants in forming a consortium. Significant financial contributions will come from international institutions. The first tenders have been announced, and the first concessions that allow contract negotiations have been granted.

The contracting authority is:

The Agency for Construction and Operation of Highways
(Agencja Budowy I Eksploatacji Autostrad)
Mr. Andrzej Urbanik, President
ul. Chalubinskiego 4/6
00-928 Warsaw
tel: (48-22) 624-43-65
fax: (48-22) 830-05-84

The importance of railways in Western Europe has a significant effect on the development and modernization of rail transportation in Poland. Poland's location forces integration of a portion of the Polish railway network with the European transportation system. Its integration with the European network and competitiveness with international traffic requires a higher standard of service in both passenger and freight transportation. The share of railways in the transport of goods in Poland is now approximately 50%. The share of mixed road and rail transport is very low due to underdeveloped computer systems and lack of appropriate platforms, rolling stock for the transport of semi-trailers or containers, and the lack of equipment for container handling. However, mixed transport has the best prospects for growth in Poland.

The Polish State Railways (PKP) is the third largest railway in Europe in terms of line length with 25,000 kilometers of rail, but in terms of quality of equipment and service it is far behind EU countries. About 60-80% of PKP's rolling stock is outdated and needs modernization.

The Polish railway modernization project involves modernization of the main railway line from Warsaw to Kunowice (German border). The project will include the purchase of track rehabilitation machinery, signaling cables, power supply cables, signaling equipment, steel parts for standard turnouts, as well as hot- and flat-wheel detection equipment. The project’s estimated value is USD 580 million. A financial contribution of USD 60 million will come from the EBRD. Other international agencies will provide USD 275 million.

The agency responsible for this project and its contracting authority is:

PKP CBZIS "FERPOL"
Mr. Zbigniew Palczewski, Director

Wojciech Stroinski, Commercial Director
ul. Grojecka 17
00-973 Warsaw
tel: (48-22) 822-14-30
fax: (48-22) 822-26-28

Chemical Industry

The chemical industry in Poland continues to grow, with production figures increasing in all branches of the industry and in all groups of chemical enterprises. Figures from 1998 show that the manufacturing of soaps and detergents increased by almost 49%, the production of rubber products rose by almost 35%, and explosives, photo-chemical products, glues, products for clothing, and leather and textile industry products rose by 44%.

A new program for modernization and privatization of the Polish chemical industry calls for 105 investment ventures through the year 2005 for a total value USD 3 billion. It is expected that 30% of the financing will come from Polish chemical companies, 20% from a Polish investment consortium, and 50% from foreign investors.

Predictions of sales in the chemical industry in Poland in the next few months are also optimistic. Almost all Polish chemical firms expect sales to continue growing. Interested companies may wish to keep in contact with:

Polish Chamber of Chemical Industry
Mr. Konstanty Chmielewski, President
ul. Zurawia 6/12
Warsaw
tel/fax: (48-22) 625-3178

Environmental Industry

The environmental services sector has only recently emerged in Poland's growing market economy, and is in a state of flux. The new Polish environmental strategy emphasizes the principle of sustainable development. It encourages firms to rely on clean technologies, pollution prevention, and waste minimization in designing their production process. It discourages "end-of-the-pipe" control technologies.

Poland faces enormous environmental challenges, but this situation also presents opportunities for western companies with the equipment, advanced technology, and know-how that Poland requires. The most promising areas are air pollution control, wastewater treatment, waste disposal, and recycling technology. The importance of the environmental sector is widely recognized by Polish authorities and strongly supported by international financial institutions. Credit lines are available for environmental protection investments on preferential conditions, thanks to funds provided by internal sources as well as the World Bank, European Bank for Reconstruction and Development, and others. Poland has adopted the "polluter pays" principle. Fees and fines for use and pollution of the environment are being collected by the National and Regional Funds for Environmental Protection and Water Management. These Funds offer preferential loans for environmental projects.

Automotive Industry

Auto sales in Poland continue to grow. The automotive industry represents not only a great sales opportunity, but is also a very good investment opportunity. Several companies have already decided to take advantage of that by locating either production or assembly plants in Poland. Major investors include Fiat, Daewoo, GM-Opel, Ford, Volkswagen, Peugeot, Scania, and Volvo. The auto parts industry is also very promising for potential investors, as the majority of investors in car production commit themselves to sourcing their parts in Poland, not from abroad. Nearly 20% of foreign investment in Poland has been in the automotive industry.

Telecommunications

The Polish telecommunications sector is a key industry and a major part of Poland's infrastructure. Although the Polish telephone network is growing at 15% a year, the Polish infrastructure is far behind other European countries with approximately 22 telephones per 100 inhabitants. USD 14 billion will be invested over the next ten years.

The process of privatization of the national telephone operator, Telekomunikacja Polska S.A. (TPSA), is currently under way. With 15% of TPSA shares successfully floated on the stock exchanges in November 1998, the Ministry of Treasury plans to sell between 15% and 25% shares to a strategic investor in 1999. An initial invitation to bid will be published in summer 1999, and the whole transaction completed by the end of 1999. The Ministry of Treasury is expected to fetch USD 3.2 billion for this transaction. The consortium of ING Bank and Nicom Consulting is the Ministry's advisor for this endeavor.

TPSA will continue to have a monopoly for voice and international services until the year 2003. Tenders for long distance services are expected by autumn 1999 with foreign ownership limited to 49%.

Investment opportunities for foreign companies currently exist without limitations in local telephone services and value-added services. Foreign ownership in data transmission services is currently limited to 49%. The market share of private telephone operators, currently representing 6-8%, is expected to reach 25% in the year 2000, with investments of USD 3-4 billion.

A new telecommunications law that would comply with EU standards is currently being reviewed by the parliament. It is expected to be passed by the end of 1999.

VI. Trade Regulations, Customs and Standards

A. Trade barriers, including tariff and non-tariffs barriers

Poland complies with the Harmonized Tariff System. Tariff rates are subject to change once a year (January). Depending on the country of origin, products are divided into three categories:

1. Developing nations
2. Members of the World Trade Organization
3. Countries with which Poland has a bilateral or multilateral customs agreement (e.g., free trade agreements, CEFTA)

In 1992, Poland signed an Association Agreement with the European Union (EU) that lowered or eliminated tariffs on many EU produced goods imported into Poland, while tariffs on U.S. products did not change. At that time, the U.S. managed to negotiate more favorable rates for some product categories, but many U.S. products are still at a disadvantage compared to EU competitors.

For some luxury and strategic products (e.g. alcohol, cosmetics, cigarettes, sugar confectionery, video cameras, satellite antennas, passenger cars, gasoline, and oil) an excise tax is also applied. Excise tax is levied on top of the customs tariff.

Duty free quotas have been applied within certain industries including the automotive, computer, and pharmaceutical sectors in Poland. U.S. and foreign firms have benefited from these quotas. In some instances the quotas are targeted on products originating from specific export regions (e.g. cars from the EU as a result of the Association Agreement), and in others they have been assessed to help protect local industry (e.g. pharmaceutical), to help develop industries (e.g. computer parts and components), or to protect the environment.

Refunds are possible for customs duty paid on raw materials, semi-finished goods, and products used in the manufacture of goods for export within thirty days, contingent on documentation certifying customs duty was paid on the goods when they were imported.

Agricultural Tariffs

Poland implemented its Uruguay Round requirements in 1995. This established for the first time bound tariffs for all products in the Polish tariff schedule and replaced variable levies for import-sensitive agricultural products with tariff rate quotas.

Tariff rate quotas represent significant import protection for products such as beef, pork, poultry meat, wheat and rye flours, rapeseed oil, some processed food products, yeast, sauces, alcohol, tobacco, and tobacco products. For U.S. agricultural trade, tariff rate quotas have had the largest impact on access for poultry meat. The tariff rate quota for poultry meat, which will be adjusted upward annually as Poland's domestic output expands, is estimated at 36,460 for 1998. The above-quota tariff is presently set at 60%, which is one-half the maximum rate that Poland may apply under the Agreement.

B. Customs regulations

Customs rates (duty) are based on the CIF value of the product. The import tax and excise tax, if applicable, are levied on CIF plus duty, and VAT is levied on CIF and the duty. Customs officials are extremely strict with regards to proper documentation. It is essential that exporters take care to fill out documents properly to avoid costly delays in customs clearance.

C. Tariff rates

Customs duties apply to all products imported into Poland. Tariffs range from 0 (zero) to nearly 400% (strong specialty sprits). The Polish tariff schedule has different rates for the same commodities depending on their country of origin. The most recent revision of the Polish tariff rate schedule took place on January 1, 1999, and is done annually. The average rate of duty in this new customs tariff is 2.1% for industrial products and 15.8% for agricultural and food products.

D. Import Taxes

Poland rescinded its import tax in 1997. As in much of Europe, a Value Added Tax (VAT) is also assessed. There are three VAT rates: 0%, 7%, and 22% depending on the product. VAT is levied on the CIF value of the product plus duty plus excise tax (if applicable). There is also an excise tax on certain goods, including alcohol and cigarettes. On imported goods, this is collected at the border on the basis of the CIF value.

E. Import License Requirements

In general, the trade of goods and services is not restricted in Poland. In some areas, including imports of strategic goods (e.g. police and military products, radioactive elements, weapons, transportation equipment, chemicals) a license or concession is required. Imports of beer, wine and strong alcoholic beverages, gas, and certain agricultural and food products (including dairy, poultry, and tobacco products) are also licensed. A permit is necessary to sell imported alcoholic products. A phytosanitary import permit issued by Plant Quarantine Inspection Service is required for the import of all live plants, fresh fruits, and vegetables into Poland. Several common weed seeds have quarantine status which hampers U.S. grain and oilseed exports to Poland.

Certain goods are subject to import quotas in Poland. These include: gasoline, diesel fuel and heating oils; wine and other alcohol; and cigars and cigarettes.

The Ministry of Economy issues import permits and concessions and regulates quotas. However, other Polish ministries have special jurisdiction over products such as tobacco (Ministry of Agriculture); permits related to air, sea, or road transport (Ministry of Transportation); or natural resources (Ministry of Environmental Protection). The list of products requiring import certification in Poland is always subject to change, and appears to be growing. U.S. exporters should ascertain whether their product requires import certification before shipping.

In most cases, before an issuing ministry grants import permission on a product, the product must be reviewed and recommended for import into Poland by one or more inspectorates or technical associations, depending on the nature of the product. This can be a costly, lengthy, and confusing process for the U.S. exporter and the Polish importer alike. It is often necessary to submit samples of products or equipment for testing, regardless of the issuance of previous U.S. or international certificates. The presentation of detailed documentation on a product is a must, and all requests by relevant inspection agencies should be strictly adhered to in order to speed-up certification procedures.

Once an application and supporting materials have been submitted, the inspecting agency will make a positive or negative recommendation for import to the appropriate Polish ministry. When the import of a specific product is approved, further imports of that product are free from additional regulation. U.S. companies with several lines of like products (e.g.

pharmaceutical, food preparation, or chemical products) should begin the approval procedure on all products as early as possible.

Some products, once imported, also require registration. This is particularly true of products that come into contact with or can affect the health of the consumer. In the case of hazardous materials the importer must receive permission to use the product before applying for a concession to import the product into Poland.

Importers of meat, meat products, and offal must obtain a veterinary permit and each consignment must be accompanied by the health certificate issued by USDA's veterinary authorities. Veterinary permits are also required for the import of live animals, semen, and embryos. Veterinary permits for breeding livestock, semen, and embryos are not issued unless approval for the importation is received from the Central Animal Breeding Office.

Polish regulations require imported products, including food and agriculture products, to be inspected for compliance with Polish standards. The inspection agency, Centralny Inspektorat Standardyzacji (CIS), is charged with ensuring the "quality" of products offered on the Polish market.

F. Temporary Entry

A license is also required for temporary import of goods, which takes place under the supervision of Polish customs officials. Written confirmation is required, stating that the goods will be sent out of Poland on specific dates. A deposit is required for the import of the goods subject to clearance, which must be equal the value of the goods to be exported or the total import customs duty and taxes. Commercial samples of zero or low value can usually be imported free of customs duty by means of a written statement to Polish customs confirming the value of the sample and that it will stay in the possession of the importing entity. Temporary imports may also enter Poland under an ATA Carnet. Promotional materials must be clearly marked "no commercial value" in order to clear customs.

G. Special Import/Export Requirements and Certifications

Import documentation in Poland is compiled under a "Single Administrative Document" (SAD) and includes a customs declaration and certificate of origin. The SAD contains 56 questions about the goods, importer, the place of origin, and method of payment. A completed customs value declaration is attached to the SAD. An original invoice or pro forma invoice proving the value of the goods is also required.

H. Labeling requirements

As noted above, certificate of origin documents are required for importation. Labeling and packaging requirements also vary depending on the product. Consumer goods require a product description in Polish somewhere on or inside the package. Packaging should clearly indicate the country of manufacture. Packaged or canned food products require Polish language labels containing: the product composition, nutritional value, an outdate, the name and address of the producer, and the product weight. The Polish government is considering requiring food products using Genetically Modified Organisms (GMOS) to be so labeled. Some U.S. companies have found that using the English language somewhere on the packaging (e.g. product name, promotional slogan) helps give the product additional prestige or value in the eyes of the Polish consumer.

I. Prohibited imports

The import of some products is prohibited. These include: two-stroke engine cars; automobiles, racing cars, and vans older than ten years; trucks older than six years; and automobiles with no proof of the year in which they were manufactured.

J. Warranty and Non-warranty repairs

Items sent for repairs under warranty do not have duties placed on them when they are returned to Poland. The same applies to parts imported under warranty for repairs in Poland.

K. Export Controls

A U.S. export license is required on shipments of certain commodities to Poland, as provided under the U.S. Bureau of Export Administration's Commodity Control List. Poland is a member of the Wassenaar Arrangement and has established its own export control regime for munitions and dual use items.

L. Standards

(1) "B" Safety Certificates

Beginning January 1, 1999, about 1,400 different products will probably require a "B" mark certificate (for "bezpieczenstwo," "safety" in Polish) to clear customs (domestically produced products also require certification). This requirement was expected to be introduced beginning in 1995, 1996, 1997, and then 1998, but was postponed for each of the last four years. The list of goods that require the certification, originally published in 1994, has been modified every year since. Testing for the "B" mark is performed by the Polish Certificate and Testing Center (PCBC) or one of the fifteen specialized institutes authorized and supervised by the PCBC. Firms selling goods without the B mark or manufactured inconsistently with the mark are obligated to pay fines amounting to 100% of the value of the goods sold.

These new standards are intended to protect the Polish consumer, as there is currently no umbrella legislation in Poland covering product safety or product liability, although legislation is pending. The list of products is extremely diverse, from wire rods, steel pipes and castings to auto parts, bicycles, personal computers, fertilizers, cellophane, and shampoo.

Poland still does not have a product liability law. The Ministry of Justice is currently working on its draft, but it is expected that it still might be two years before the law is passed. The law is key to certification issues because it would provide for third party certification for a large group of products. This law would also allow a manufacturer's self-certification of adherence to quality standards to be sufficient proof of product quality. Until the law is passed, however, it is not possible to rely on manufacturers' statements, and products must be tested in order to be certified.

Foreign certificates, such as the European CE mark and ISO 9000, accelerate the current certification process. However, the law is not clear and guidance from the PCBC and testing centers is vague. Information regarding prices for testing products is also inconsistent and sometimes vague or unavailable. In most cases testing procedures are lengthy. The Commercial Service advises U.S. exporters to contact CS Warsaw at Warsaw.Office.Box@mail.doc.gov to determine whether or not their products would be subject to the requirements and for the latest information on the issue.

Poland is cooperating with the European Union to adopt similar standards and laws. The European Union will assist Poland with integrating Community legislation into the Polish legal system. The European Union and Poland have agreed that Polish testing laboratories and other institutions issuing certificates will be checked in view of their conformity with EU directives. After the testing bodies are checked and the results are positive, a list of these institutions will be published in the Official Journal of the European Community. All products then tested by these bodies will be automatically accepted in the European Union as well as in Poland without any additional procedures.

Poland will introduce changes into its legal system to achieve an EU-compatible certification system. Before the new legislation is introduced all products originating from the European Union and subject to third party certification there will be admitted into Poland. The testing reports and certification documents produced by notified bodies in the European Union will be reviewed, and if the tests adhere to the tests obligatory in Poland, then the certification process will be considerably shortened.

Products which do not require any certification in the European Union and for which certifications are required in Poland, will be eliminated from the list of products subject to mandatory certification. This process will be introduced gradually and completed through the end of this year.

(2) Other Polish Standards: PN and BN

Polish standards describing a wide range of products have been developed by a central institution, the Polish Standards Committee (PKN), over the years. These standards have a PN prefix. The Government of Poland, through its ministries, decides which of them are obligatory. Ministerial regulations clarify what standards a particular product must meet to be admitted into Poland. Standards developed by industry branches or industrial associations are marked BN. They define products of a particular industry branch and initially they were only valid for specialists in the particular branch of industry. Over the years they received national status and were listed together with the national standards. The prefixes PN and BN still exist.

The information in each standard includes data on product requirements and appropriate ways and methods of testing product quality. It also lists institutions that prepared the standards. It does not list, however, for what purpose the standards are required.

(3) Introducing Building Products: Technical Approvals

No standards exist for many building products that are new to Poland. However, when introduced into the Polish market the products need to have documentation certifying that they are in conformity with existing standards.

They must therefore receive technical approval, a document issued by designated research and development institutes.

The central institution performing these tests for the vast majority of building products and materials is the Institute for Building Technology (ITB) in Warsaw. It deals with products like siding, roof shingles and bricks.

Some building products, after receiving technical approval, or when PN or BN standards can be applied in their case, may still require the "B" Certificate. They must then go through the certification process designed by PCBC. The standards for the "B" Certificate are available only at the PCBC. This certification process takes time. However, the official regulations specify that this process should not exceed 3 months.

With the new regulations requiring a large number of products to have a certificate, the work load of the institutes conducting the tests increased immensely. As a result these institutes are unable to meet deadlines. Since time is often one of the most important factors for a marketing organization introducing new products, this is one of the most important problems that needs attention from the Polish authorities.

Conformity with ISO 9000 is relatively rare although over 60 Polish companies are in fact certified.

Useful contacts:

Instytut Techniki Budowlanej (ITB)
ul. Filtrowa 1
00-950 Warsaw
tel: (48-22)825-04-71
fax: (48-22)825-13-03

Centralny Osrodek Badawczo-Rozwojowy Przemyslu Izolacji Budowlanych
ul. Korfantego 193
40-153 Katowice
tel/fax: (48-32) 58-35-53

Centralny Osrodek Badawczo-Rozwojowy
Technologii Instalacji
ul. Ksawerow 21 (COBRTI)
02-656 Warsaw
tel: (48-22) 843-14-71
fax: (48-22) 843-71-65

Panstwowy Zaklad Higieny (PZH)
Zaklad Higieny Komunalnej
(Urban Hygiene Dept.)
ul. Chocimska 21
Warsaw
tel: (48-22) 849-40-51

M. Free Trade Zones/Warehouses

Duty free zones can be established by the Council of Ministers and are managed by the authorities designated by the Council, which is usually the provincial governor who issues the operating permit for a given zone.

Bonded warehouses and customs and storage facilities are available. They are operated under permission issued by the President of the Central Office of Customs. They can be operated by commercial code companies.

Customs duties are repaid to the importer for re-exports of products within 12 months of the date of customs clearance in full or partially, depending upon their length of time in-country.

See the Investment Climate statement below for more details on this topic.

N. Membership in Free Trade Arrangements

EU Association Agreement: As mentioned above, Poland began implementing the trade provisions of the Association Agreement with the European Union in 1992. This has lowered or eliminated duties on most EU exports to Poland.

CEFTA and FTAs: Poland is a founding member of the Central European Free Trade Association, whose members include the Czech Republic, Slovakia, Hungary, Romania, Slovenia, and Bulgaria. The CEFTA Agreement, signed in December 1992, allows for a staged reduction of customs duties on three separate lists of products among the member states through the year 2001. Poland also has free trade agreements (FTA) with the European Free Trade Association (EFTA) countries (Iceland, Norway, Switzerland, and Liechtenstein) as well as with Israel, Lithuania, Estonia, and Latvia. These agreements grant firms from these countries certain tariff preferences over U.S. competitors and give lower tariffs to Polish companies exporting to these countries. The Polish government is also negotiating an FTA with Turkey and Croatia, but signature of these agreements is not expected in 1999.

O. Customs Contact Information

Further information on Polish customs regulations, please contact:

Customs Information
Ul. Swietokrzyska 12
00-916 Warsaw
tel: (48-22)694-4479, 694-3194

VII. Investment Climate

A. Openness to Foreign Investment

General Attitude: The current Polish government, like the various other governments since the fall of communism in 1989, has sought to attract and maintain foreign investment. The government has expressed the view that foreign investment is essential for the rapid development and modernization of the Polish economy. All of the major political parties concur that Poland should maintain a free-market based economy and should strive to attract substantial foreign investment. The parties universally support attracting foreign direct investment in new or “greenfield” projects. The political parties and factions within parties differ about the extent of foreign ownership in certain so-called strategic enterprises (such as banks and the oil and energy companies) to be privatized and also over foreign ownership of agricultural land. The ruling coalition has supported allowing foreign investors to compete and, if they win, to take a dominant role in strategic enterprises and sectors of the economy. The coalition is reluctant, however, to liberalize quickly the limitation on foreign ownership of agricultural land.

Major Laws and Regulations: Poland has developed a legal regime that protects property rights and investment, allows private business activity in almost every sector of the economy, provides generally equal treatment for domestic and foreign companies, and permits the repatriation abroad of profits and capital. Overall, the current legal regime comports with free-market principles and is supportive of foreign investment. The Polish Constitution protects the rights of private ownership and succession and it states that expropriation is allowed solely for public purposes and only with just compensation. The pre-World War II Civil Code and the Commercial Code, as amended, set forth the rules on, among other things, the formation and enforcement of contracts, the creation, management and liquidation of companies, and the rights of shareholders. The Law on Companies with Foreign Participation of 1991 governs foreign investment in companies. The Foreign Exchange Act of 1998 regulates foreign exchange transactions. Moreover, the Economic Activity Act of 1988, as amended, specifies which economic activities require some form of prior governmental authorization. Together these laws open the Polish economy to foreign investment and generally have established a level playing field between foreign and domestic investors. After making substantial improvements in its foreign exchange, trade and investment regimes, Poland in 1996 joined the Organization for Economic Cooperation and Development (OECD). Moreover, Poland continues the process of implementing its trade and investment liberalization obligations to the OECD and the World Trade Organization (WTO).

A foreign investor may enter the Polish economy by means of a new or "greenfield" investment or by acquisition of or merger with an existing Polish company. The Law on Companies with Foreign Participation permits any level of foreign investment up to 100 percent, with a number of sectoral exceptions discussed below. That law requires that companies with foreign investors be established as joint stock companies or limited liability companies. In a number of sectors -- foreign trade, transportation, tourism and culture, banking and insurance -- a foreign enterprise may establish a representative office in Poland. Further, foreign investors from OECD and EU member countries have the right to establish branches, agencies and representative offices in the financial sector (banks, insurance companies, and brokerage houses). Foreign investments can be made in the form of Polish zloty obtained from the sale of convertible currencies or in-kind, in which case an audited valuation of the contribution is required.

In preparation for eventual membership in the European Union (EU), Poland has been harmonizing its laws and regulations with those in the EU’s acquis communautaire. In addition, it has been lowering tariff and non-tariff barriers for EU exports and investment. This process generally benefits U.S. and other foreign exporters and investors, such as when Poland decided to provisionally permit marketing of products that have EU product certifications while Polish product certification is pending. Some U.S. companies benefit from this policy because their goods already had EU product certifications. Sometimes, however, the preferential rules for EU companies work to the disadvantage of U.S. and other foreign firms, such as when Poland imposes higher tariffs on U.S. exports to Poland (e.g., automobiles) than on competing EU exports.

Screening: Poland does not have any general screening mechanism for entry and establishment of businesses by foreign firms. Authorization requirements and foreign equity limits do exist for a limited number of sectors. The Law on Companies with Foreign Participation requires a permit from the Treasury Ministry for certain major capital transactions, or lease of assets, with a state-owned enterprise. Furthermore, that law allows restrictions on investment to only Polish entities for considerations of "public security." Thus, only a Polish entity can establish an airport, but licenses and concessions for defense production and management of seaports and airports will be granted on the basis of national treatment for investors from OECD countries.

Other sectoral laws establish ceilings on the share of foreign ownership: air transport (49 percent); certain fisheries activities (49 percent); radio and television broadcasting (33 percent); domestic long-distance telecommunications through the end of 1999 (49 percent); international telecommunications through 2003 (0 percent); and gambling (0 percent). Furthermore, approval requirements are still in place for foreign investments above certain thresholds in the insurance sector.

The sale of agricultural land to foreigners has long been a sensitive issue for Poland. The 1920 Law on Acquisition of Real Estate by Foreigners prohibited a foreigner from acquiring real estate without permission. In 1996, Poland liberalized that law as part of its effort to join the OECD. The amended law allows foreign individuals and firms to own an apartment, 0.4 hectares (4000 square meters) of urban land, or up to one hectare of agricultural land without need of a permit. Also, foreign companies no longer need to obtain pre-approval for larger amounts of land before participating in bidding for a project or privatization. The acquisition of real estate above 0.4 hectares in urban areas and 1.0 hectares in rural areas, or the purchase of shares in a foreign-controlled Polish company owning real estate, still requires approval from the Ministry of Interior, with the consent of the Defense and Agriculture Ministries.

Foreign and domestic investors alike must obtain governmental concessions, licenses or permits to engage in certain activities. The Economic Activity Act provides, among other things, that: the National Bank of Poland (NBP) and the Finance Ministry issue banking licenses; the Finance Ministry provides permission to operate an insurance company; the Securities and Exchange Commission grants licenses for brokerage activities; the Communications Ministry provides licenses for telecommunication services and courier services; the National Broadcasting Council issues radio and television broadcasting licenses; the Economy Ministry gives permits for foreign trading in certain goods and services, processing of gems, precious metals and non-ferrous metals; the Health Ministry authorizes permits for the pharmaceutical and medical materials sectors; the Transport Ministry provides licenses for air, international road, rail and maritime transport, and the construction and exploitation of highways; local governments provide permits for buses and taxis, waste disposal, pharmacies, and extraction of minerals; the Interior Ministry licenses the arms industries and security services; and the Agriculture Ministry provides permits for alcohol and tobacco industries. The processing and granting of these licenses and approvals generally has been routine and non-discriminatory, though often slow and bureaucratic. The government has pledged to deregulate the economy and significantly reduce the number of concessions and licenses required.

Privatization Program: Poland has privatized almost all of its small state-owned enterprises, most medium-size enterprises, and many large ones. The government has set a goal of privatizing 70 percent of the remaining state-owned enterprises by the end of its four-year term in 2001, including the telephone company (TPSA), the national airline (LOT), the dominant insurance company (PZU), the banks, the steel mills, the oil sector, and the electrical energy sector. To date, the current government in each major privatization has invited foreign investors to compete for a strategic interest. This openness to foreign investment has drawn objections from some commentators and politicians (including a number of politicians in the coalition) who fear that foreigners are acquiring too large a share of the Polish economy. Even if foreign investors were excluded from the privatization process, they could and sometimes do acquire a large equity interest after the privatization.

Discrimination against Foreign Investors: Generally, foreign investors receive similar treatment as domestic investors both at the time of their initial investment and after the investment is made, such as tax treatment and obtaining approvals and licenses. Foreign firms do face potential discrimination in public procurement contracts. Poland's 1994 Government Procurement Act, which is based on the United Nations model, allows for a twenty-percent price advantage for domestic firms. There also is a fifty-percent domestic material and labor content minimum required for all bids. Under that law, a joint venture between foreign and domestic firms, will qualify as "domestic" for procurement considerations.

B. Conversion and Transfer Policies

Restrictions on Converting or Transferring Funds: Poland provides full IMF Article VIII convertibility. The Foreign Exchange Act of 1998 provides for unrestricted conversion of currency for current operations and for direct investments (other than portfolio investments). A foreign investor still needs a permit from the National Bank of Poland for foreign exchange conversions in connection with most portfolio investments and short-term capital operations. Further, the law allows for the Council of Ministers to promulgate a six-months regulation that would establish special restriction on those persons engaged in capital operations other than direct investments, by imposing an obligation to maintain a non-interest bearing deposit in a bank account established specifically for such purpose. The Council of Ministers may only impose such special restrictions if the stability of the domestic currency exchange rate is at risk or that the supply of money is increasing too rapidly as a result of movement of capital. A foreigner without need of a permit may convert or transfer currency to make payments abroad for goods or services and also may make transfer abroad its share of after-tax profit due from operations in Poland. Capital brought into Poland by foreign investors may be freely withdrawn from Poland in instances of liquidation, expropriation, or decrease in capital share. Full repatriation of profits and dividend payments is allowed without obtaining a permit. The 1991 Law on Companies with Foreign Participation guarantees the availability of foreign currency for payment of dividends to shareholders. However, a Polish company (including a Polish subsidiary of a foreign company) must account for withholding tax to the Polish tax authorities on any distributable dividends unless a double taxation treaty is in effect; there is a double taxation treaty with the United States. An exporter may open foreign exchange accounts in the currency it chooses.

Future Liberalization Plans: Poland has committed to complying fully with the OECD Codes of Liberalization of Capital Movements and Current Invisible Operations by 2000. Accordingly, the government plans to remove the remaining restrictions on short-term and portfolio investment.

Availability of Foreign Exchange and Remittance: Foreign exchange is widely available through commercial banks, as well as money exchange houses (kantors). Payments and remittances in convertible currency may be made and received through a bank authorized to engage in foreign exchange transactions; most banks have such an authorization. Poland does not prohibit the remittance through a legal parallel market, including one utilizing convertible negotiable instruments (such as dollar-denominated Polish bonds in lieu of immediate payment in dollars); as a practical matter, however, such other payment methods are rarely, if ever, used. Foreign investors have not complained of any significant difficulties or delays in remitting investment returns such as dividends, return of capital, interest and principal, lease payments, royalties or management fees.

C. Expropriation and Compensation

Since the collapse of communism in 1989, potential expropriation in Poland has not been an issue. The Law on Land Management and Expropriation of Real Estate provides that property may be expropriated only in accordance with statutory provisions such as the construction of public works, national security considerations or other specified cases of public interest. Full compensation, at market value, must be paid for the expropriated property. Article 21 of the Constitution states that "Expropriation is admissible only for public purposes and upon equitable compensation." Although there have been no cases of expropriations since reforms began in 1990, the implementation of a major highway construction program in Poland may involve some expropriations of land under the above-mentioned law. As discussed above in Section A.1 (Openness to Foreign Investment), Polish law restricts or forbids foreign ownership in certain sensitive sectors (e.g., telecommunications, broadcasting and gambling).

D. Dispute Settlement

Government's Handling of Investment Disputes: There have been sporadic investment disputes between foreign investors and the government. The Polish government and state-owned enterprises have on several occasions contravened the spirit, if not the letter, of informal understandings or letters of intent with foreign investors. Most notably, Ameritech asserted that its joint venture partner, TPSA (the state-owned telephone company), violated its letter of intent by not allowing their analog cellular telephone joint venture (Centertel) to bid for a digital cellular (GSM) license. Ameritech took the dispute to international arbitration in Geneva under UNCITRAL rules, seeking compensation from the Polish government. The matter was successfully resolved outside of arbitration in December 1996. In 1997, the government decided to reopen bidding for the largest Polish press distributor (Ruch) after apparently reaching an informal agreement with the French publishing company Hachette to buy Ruch. Hachette has brought a civil action to compel the government to allow Hachette to buy Ruch; that case is still pending. Earlier, the German firm Saarpapier Vertriebs GmbH had to close its Polish operations because the government would not allow the firm to import waste paper for processing, even though the Polish Agency for Foreign Investments issued a permit to conduct that business. In 1996, the Arbitration Court in

Zurich ruled in favor of the German firm, but Poland has so far refused to pay the sum specified by that court.

The Polish Legal System: Generally, foreign firms are wary of the Polish legal system and prefer to rely on other means to defend their rights (primarily, international arbitration). Similar to the French and German systems, the Polish legal system is a prosecutorial one. Contracts involving foreign parties normally have a dispute settlement clause that gives terms for arbitration of possible dispute in a third country court (in Britain or Switzerland, for example, in the case of a dispute between U.S. and Polish parties). So far, no major investment dispute with a foreigner has been resolved in Polish courts. Poland has a Commercial Code, written before World War II, and U.S. and other foreign business have urged its overhaul. Poland has a bankruptcy law. Prior to 1998, a secured creditor's position could be superseded by subsequent tax arrearages and other secured credits. The new Mortgage Banking Act of 1997 and the Law on Registered Pledges and Pledge Registry of 1997, which entered into effect on January 1, 1998, now protect qualified mortgagors and secured creditors against subsequent tax liens and other secured and unsecured claims. Monetary judgements are usually made in local currency.

International Arbitration: Foreign investors, other than Hachette, have chosen to protect their rights through international arbitration rather than use the Polish courts to resolve their investment disputes. As shown in the case of Saarpapier, a decision by an arbitration body is not automatically enforceable in Poland.

Poland is party to four international agreements on dispute resolution, with the Ministry of Finance acting as the government's representative:

1. The 1923 Geneva Protocol on Arbitration Clauses
2. The 1958 New York Convention on the Recognition and Enforcement of International Arbitration Awards
3. The 1961 Geneva European Convention on International Trade Arbitration
4. The 1972 Moscow Convention on Arbitration Resolution of Civil Law Disputes in Economic and Scientific Cooperation

Poland is not a member of Washington Convention on the Settlement of Investment Disputes between States and Nationals of Other States.

E. Performance Requirements/Incentives

Trade Related Investment Measures (TRIM) Notification/Compliance: Poland notified the World Trade Organization (WTO) that on January 1, 1997, it terminated the measure notified previously under Article 5.1 of the TRIMs. This measure, which had concerned tax rebates limited to domestic cash registers, was the only one that Poland previously had given notice of to the WTO.

Performance Requirements: Poland generally does not impose performance requirements for establishing or maintaining an investment. In connection with the privatization of certain large companies the government and the purchasers have negotiated terms that included performance requirements. For example, Fiat and Daewoo agreed, among other things, to meet certain negotiated production targets when they bought state-owned car plants. As discussed above (A.1. Openness to Foreign Investment), there are limits on foreign participation in certain economic activities, such as broadcasting and telecommunications.

Investment Tax Incentives: There are performance requirements, however, for access to investment tax relief and incentives for investments in areas of high structural unemployment (see below E. Foreign Trade Zones/Free Ports). These performance requirements include: a minimum value of investment (at least 2 million ECU), transfer of technology, creation of employment, and export orientation (exports that generate more than 50 percent of total revenue). The government is considering a major revision to its tax laws, which could reduce or eliminate current investment tax incentives.

Foreign Participation in Government Financed Research: Foreign companies have not participated in government-funded research and development projects managed by the Committee for Scientific Research (KBN). Nonetheless, there is no proscription against such participation.

Visa and Work Permit Requirements: Foreign investors can and do bring personnel into Poland. Poland's visa and work permit requirements allow foreigners to live and work in Poland. However, many firms and foreigners in practice have had difficulty in obtaining visas. Poland requires an applicant to receive the visa for working in Poland in his or her home country, rather than in Poland or in neighboring countries. This procedure is burdensome.

Discriminatory or Preferential Export/Import Policies: The government supports exporters through export credit guarantees from a state-owned insurance entity (KUKE). KUKE does provide credit guarantees for all firms registered in Poland (this includes foreign firms and firms with foreign capital). However, for products subject to export contracts, the Minister of Economy (in agreement with the Minister of Finance) establishes a minimum percentage share of components of Polish origin in the final product for it to be considered a domestic product. Currently, the minimum percentage share is 50 percent.

Firms from EU countries in many cases benefit from preferential duty rates. Base customs duties are specified in the Customs Tariff, encompassing about 10,000 items adapted to the WTO Combined Classification. Base customs duty rates for industrial products from WTO countries vary from 0 - 11 percent, but for agricultural goods the range is much wider (0 – 300 percent). Many goods imported from the EU member countries enjoy privileged customs duty rates (usually, zero percent). Pursuant to its Association Agreement with the European Union, Poland has lowered its average rate for industrial products from EU countries from 3.6 percent in 1997 to zero percent in 1999. Textiles, steel products, fuels and cars are subject to separate tariff agreements. Furthermore, non-European developing countries benefit from preferential duty rates (0.7 – 0.8 percent of the base rate). The least developed countries are released completely from customs duty payments. In all cases, certificates of origin complying with WTO standards must be submitted, otherwise preferential rates will not be applied.

F. Right to Private Ownership and Establishment

Rights of Ownership and Establishment: Domestic and foreign private entities have a general right to establish and own, as well as dispose of, a business and to engage in almost all forms of lawful economic activities.

Article 64 of the Constitution provides: "Every person has the right to ownership, other property rights, and the right of inheritance. Ownership, other property rights, and the right of inheritance are subject to legal protection that is equal for all. Ownership may be restricted only by law and only to the extent to which it does not abridge the essence of the right of ownership." In addition to absolute, or private property, a second form of title in Poland for real estate is the perpetual lease, under which the lease holder generally controls the property for 40 to 99 years, and which can be extended for up to 99 additional years. Such a perpetual tenant has the right to dispose of its interest in the land by sale, gift, or bequest. As discussed above in Section A.1. (Openness to Foreign Investment), there are a few sensitive areas in which participation of foreigners is restricted, e.g., telecommunications and broadcasting; further, foreign ownership of other than a small amount of real estate requires a government permit. Apart from these limited restrictions, foreign entities can freely establish, acquire and dispose of interests in business enterprises.

The Civil Code, as amended, regulates property rights, between individuals or legal entities. The amendment of July 1990 reintroduced the basic standards of free market economy and ownership. The Civil Code regulations are based on the principles of equality of all parties, regardless of their ownership status, equivalency of obligations, discretion and freedom of contracts.

Competitive Equality: The private sector has expanded rapidly since 1989 and now dominates almost every sector of the economy. State-owned enterprises still dominate such sectors as telecommunications, coal, steel, insurance, energy and utilities. The private sector is estimated to employ over two-thirds of Poland's labor force and to produce about 70 percent of GDP, if the large gray market is included. The competition between privately owned and state-owned enterprises is steadily being replaced by competition among just privately owned entities. Officials at various levels of government can, and occasionally do, exercise their discretionary authority to help state-owned enterprises. For example, tax authorities have not pressed some large, troubled state-owned enterprises to pay their taxes, in order to avoid putting them into bankruptcy.

G. Protection of Property Rights

Real Property: Poland’s legal system protects and facilitates the acquisition and disposition of property. Mortgages do exist, and the mortgage market is expanding as increasing numbers of single-family homes/townhouses are built. The 1997 Mortgage Banking Act provides that a recorded mortgage by a licensed mortgage bank will take priority over subsequent tax liens and other secured and unsecured claims.

Chattel/Personal Property: The 1997 Law on Registered Pledges and Pledge Registry provides protection for secured creditors and establishes a new registry system. Creditors will be able to place liens on assets and rights, both present and in the future.

Legal System: There is a functioning non-discriminatory legal system accessible to foreign investors that protects and facilitates acquisition and disposition of all property rights, such as land, buildings and mortgages. Foreign investors often voice concern about frequent or surprise issuance of or changes in laws and regulations. Foreign investors have complained about the slowness of the judicial system.

Intellectual Property Rights: Protection of intellectual property rights is provided by the 1994 Copyright Law, the 1985 Trade Mark Protection, and the 1972 Law on Inventive Activity. Poland is a member of the Berne Convention for the Protection of Literary and Artistic Works, as revised by the Rome Act, the Universal Copyright Convention of Geneva as revised in Paris, and the World Institute for Protection of Intellectual Property (WIPO). Also, in 1991 Poland signed the Madrid Agreement on International Registration of Trademarks. In its bilateral economic treaty with the United States, Poland has committed itself to providing adequate protection of intellectual property. Poland has taken some measures to implement the World Trade Organization (WTO) TRIPS Agreement, however, it still needs to provide protection for sound recordings created before 1974. Due to a lack of protection for such sound recordings and concerns about piracy, Poland was kept on the Special 301 "Watch List" in 1999 and will be subject to an “out of cycle” review later in 1999. The government has made limited progress in combating piracy, especially that of computer software, but much more remains to be done.

H. Transparency of the Regulatory System

Transparent Policies: The government acknowledges that its policies are not as transparent as they ought to be. Consequently, the government has begun to study ways to deregulate, increase transparency and promote competition. At the same time, Poland is harmonizing its laws and regulations with those in the European Union (EU). While often EU laws and regulations are more transparent and pro-competitive than the Polish ones they will replace, sometimes the EU consistent rules are not very transparent or not pro-competitive. For example, Poland has sought to implement the EU’s audio-visual directive in a way that limits the broadcasting of U.S. audio-visual products. Poland tends to have the most difficulty with transparency in its newer regulatory bodies, such as the Pension Fund Supervisory Office (UNFE) and the Energy Regulatory Office.

Competition: Competition policy in Poland remains an area of concern, especially because almost a quarter of output still comes from the state-owned sector. The government seeks to encourage the competition necessary for a free-market economy primarily through privatization of most of the remaining large state-owned enterprises and deregulation. In addition, the Office for Competition and Consumer Protection is responsible for the tracking and elimination of anti-competitive practices.

Tax, Labor, Health and Safety, and Other Laws as Impediments: Foreign and domestic investors must comply with a variety of laws concerning, among other things, taxation, labor practices, health and safety, and the environment. Poland is in the process of transition as it harmonizes its laws and regulations with the EU’s. Complaints about these laws, especially the tax system, center on the lack of clarity and often draconian penalties for minor errors. The actual tax burden, labor, health and safety requirements, and environmental rules generally are not excessive when compared with those in the EU. Overall, these laws and regulations have not been either a significant attraction for investors or a major impediment to investment in Poland. When Poland completes the harmonization process, these laws should be comparable to those in the EU.

Bureaucratic Procedures: Foreign investors often point out the difficulties in completing bureaucratic requirements and subsequent delays when investing in Poland. Generally, the regulatory requirements are considered to be more burdensome than those in EU countries.

I. Efficient Capital Markets and Portfolio Investment

Capital Markets: Poland's policies generally facilitate the free flow of financial resources. Banks can and do lend to foreign and domestic companies. Companies also can and do borrow abroad and issue commercial paper. Poland has developed healthy and growing equity markets. The 1991 Law on Public Trading in Securities and Trust Funds created the regulatory framework for operations on the capital market and introduced its major agents: the Securities and Exchange Commission; the stock market; and the stock-broker. Since the opening of the Warsaw Stock Exchange (WSE) in 1991, the number of listed joint stock companies has increased from 5 to over 200 at the end of 1998. The capitalization of WSE has grown from USD 142 million in 1991 to more than USD 21 billion (or almost 15 percent of GDP) at the end of 1998. The over-the-counter market (CeTO) began operations in 1996 and, as of the end of 1998, it had over 20 firms. The 1997 Investment Funds Act allows for open-end, closed-end, and mixed investment funds. The declining rate of inflation and a growing economy should lead to financial institutions offering more and longer-term products and services. The introduction in 1999 of mandatory pension funds managed by private firms marked a major step forward in the development of the Polish capital markets.

Credit Allocation: Credit allocation has been on market terms. The government, however, has some programs offering below-market rate loans to certain domestic groups, such as for farmers and homeowners.

Access: Foreign investors and domestic investors have access to the Polish financial markets. Most private Polish investment is still financed from retained earnings, while foreign investment is mainly direct investment, using funds obtained outside of Poland. More and more Polish firms are raising capital in Europe or the United States.

Legal, Regulatory and Accounting Systems: Poland's legal, regulatory and accounting systems often lack transparency and differ significantly from those in European Union (EU) countries and in the United States. Poland is in the process of harmonizing these systems with those in the EU, which sometimes also lack transparency. The Finance Ministry is rewriting the accounting regulations. The major international accounting firms provide services in Poland and they are familiar with the U.S., EU and Polish accounting standards.

Portfolio Investment: The Polish regulatory system fosters and supervises the portfolio investment market. Both foreign and domestic persons may place funds in demand and time deposits, stocks, bonds, futures and derivatives. The stock and Treasury bill markets are fairly liquid, but many other investments are not, such as Treasury bonds. The Polish Securities and Exchange Commission has built an excellent reputation for supervising the stock market.

Banking System: The Polish banking system is sound and considered one of the best regulated and supervised in Central and Eastern Europe. As of the end of the first quarter of 1999, the banking system had total assets of 340 billion Polish zlotys (USD 85 billion). The National Bank of Poland reported that 11.2 percent of the banking system's loans were non-performing at the end of the first quarter of 1999, compared with 31 percent at the end of 1993. As of mid-1999, foreign-controlled banks held approximately 60 percent of the banking system's assets.

Cross-shareholding: Cross-shareholding arrangements are rare and play a minor role in the Polish economy.

Hostile Takeovers: Neither the government nor private firms have taken measures to prevent hostile takeovers by foreign or domestic firms. Hostile takeover attempts are still rare, but have been occurring more frequently.

Standards-setting Organizations: Governmental agencies, and not companies, set industry standards. These agencies are not required to consult with either domestic or foreign firms when establishing standards, though the former much more than the latter tend to play an influential role in the process.

Private Sector Restrictive Practices: Private domestic companies compete with foreign firms, but they do not engage in practices to restrict foreign investment or foreign participation or control of domestic enterprises.

J. Political Violence

Poland is a politically stable country. There have been no confirmed incidents of politically motivated violence to foreign investment projects in recent years. Poland has neither belligerent neighbors nor insurgent groups. The Overseas Private Investment Corporation (OPIC) provides political risk insurance for Poland.

K. Corruption

Anti-Corruption Laws and Regulations: Polish laws and regulations provide a legal basis for combating corruption. Bribery is a criminal offence and bribes are not tax deductible. The Finance Ministry's tax authorities concede, however, that bribes are often disguised as other payments, which are deductible. Officially, if the tax authorities discover a bribe, the matter is supposed to be turned over to the police and prosecutor. In practice, the tax authorities do not seem to discover evidence of bribery. One of the chief tools in preventing corruption is a transparent system of government procurement by open tender at all levels of government. Poland implemented a completely revised Public Procurement Act based on the United Nations model procurement law at the national level in 1995 and at the local (gmina) level in January 1996. Moreover, a 1997 law restricts economic activity for people holding public positions. This law prevents a public official from engaging in business activities where he or she would have a conflict of interest while he or she is an official and for one year thereafter. The law applies to parliamentarians, government officials, and local officials.

OECD Anti-Bribery Convention: Poland signed the OECD Convention on Combating Bribery in 1997 and is in the process of ratifying that convention and enacting implementing legislation.

Obstacle to Foreign Direct Investment: U.S. firms have not identified corruption as an obstacle to foreign direct investment.

Cases of Corruption: Reports of alleged corruption occasionally surface. They often appear in connection with privatization, government contracting, and the issuance of a regulation or permit that benefits a particular company. Reportedly, corruption by custom and border guard officials, tax authorities, and local government officials often occurs and, if discovered, is usually punished. Businesses report that sometimes Polish officials have asked for political campaign contributions in return for favorable treatment. Overall, U.S. firms have not considered bribe seeking by low level officials to constitute a major impediment to their operations in Poland.

Combating Corruption: There has been no significant improvement in enforcement of anti-bribery criminal laws by the police authorities or denial of tax deductions by the tax authorities. Nonetheless, the government has sought to reduce the opportunities for corruption. It has announced a plan to deregulate the economy. The private sector is now paying greater attention to fighting corruption. In 1998, concerned Poles established the Polish chapter of Transparency International. This chapter plans to operate a hot line for those who do not know what to do when they are asked to give a bribe or when they know that someone takes bribes. Specialists employed by Transparency International will provide information and advice. The organization also plans to promote transparency in government operations.

Bribery of a Domestic Official: Bribery and abuse of public office are crimes under the Polish criminal code, Articles 239-245. Also, a violation of the Public Procurement Act of 1995 is considered to be a violation of the Budgetary Law of 1991. Article 62 of the Budgetary Law specifies penalties, including warnings, reprimands, and fines up to three times the average monthly salary; articles 65-68 authorize the establishment of investigative commissions in cases of suspected bribery.

Bribery of a Foreign Official: The Justice Ministry states that existing Polish laws and regulations treat the payment of a bribe to a foreign official as a criminal offense, the same as if it were a bribe to a Polish official. Further, a bribe to a foreign or a Polish official is not tax deductible, according to the Finance Ministry.

Enforcement Agencies: The Justice Ministry and the police are responsible for enforcing Poland’s anti-corruption criminal laws. The Finance Ministry administers tax collection and is responsible for denying the tax deductibility of bribes. However, neither ministry has a special office tasked with combating corruption.

Convictions: No foreign investor or major government official has been found guilty of corruption. A number of officials have been investigated and fewer charged, but these cases do not seem to reach a conclusion.

L. Bilateral Investment Agreements

Bilateral Investment Agreements: As of May 1999, Poland had ratified 57 bilateral investment agreements: Albania (1993); Argentina (1992); Australia (1992); Austria (1989); Belgium and Luxembourg (1991); Belarus (1993); Bulgaria (1995); Canada (1990); China (1989); Croatia (1995); Cyprus (1993); the Czech Republic (1994); Denmark (1990); Egypt (1996); Estonia (1993); Finland (1991); Former Yugoslav Republic of Macedonia; France (1990); Germany (1990); Greece (1994); Hungary (1995); India (1998); Indonesia (1993); Iran (1997); Israel (1992); Italy (1992); Kazakhstan (1995); Kuwait (1993); Latvia

(1993); Lithuania (1993); Malaysia (1994); Moldova (1995); Morocco (1995); the Netherlands (1994); Norway (1990); Portugal (1993); Romania (1995); Singapore (1993); Slovenia; Slovakia (1996); South Korea (1990); Spain (1993); Sweden (1990); Switzerland (1990); Syria (1996); Thailand (1993); Tunisia (1993); Turkey (1994); Ukraine (1993); United Arab Emirates (1994); the United Kingdom (1988); the United States (1994); Uruguay (1994); Uzbekistan (1995); and Vietnam (1994).

Agreements with the United States: The United States and Poland signed a Bilateral Commercial and Investment Treaty (BIT) in 1991; it entered into force in 1994. The Treaty grants U.S. investors domestic privileges and provides for international arbitration in the case of investment disputes. In 1974, the United States and Poland signed a double taxation treaty.

M. OPIC and Other Investment Insurance Programs

OPIC: The Overseas Private Investment Corporation (OPIC) provides political risk insurance for U.S. companies investing in Poland against political violence, expropriation, and inconvertibility of local currency. OPIC offers medium and long-term financing in Poland through its direct loans and guarantees program. Direct loans are reserved for U.S. small businesses or cooperatives and generally range in the amount from two to ten million dollars. Loan guarantees are issued to U.S. lending institutions and range in size from USD 10 million to USD 75 million, and in certain instances up to USD 200 million.

MIGA: The World Bank's Multilateral Investment Guarantee Agency (MIGA) also provides investment insurance similar to OPIC's for investments in Poland.

Embassy’s Purchase of Local Currency: Embassy Warsaw estimates that it uses almost five million dollars worth of zlotys per year. It obtains the foreign currency from banks at the market rate, which usually is close to the official parity rate.

Risk of Change in Value of Polish Zloty: The U.S. dollar has fluctuated significantly against the Polish zloty in 1998 and the first quarter of 1999. In the first half of 1999, the Polish zloty depreciated by about 15 percent in real terms against the U.S. dollar. Further fluctuations in the currency are possible. The National Bank of Poland (NBP) has pegged the exchange rate to a basket of currencies consisting of the U.S. dollar (45 percent) and the Euro (55 percent). The NBP devalues the zloty at the rate of 0.3 percent per month and allows the market rate to fluctuate around the central parity rate within a band of plus or minus fifteen percent. The NBP may adjust the rate of devaluation based on changes in market conditions.

N. Labor

Poland has a well-educated, skilled labor force. Productivity is low by Western standards, but it is rising. Unit costs remain competitive. In 1999, the average gross wage in Poland rose to over USD 450 per month. There are shortages of persons with foreign language skills and training in contemporary management, finance, and marketing. Polish workers are usually eager to work for foreign, especially American, companies. Most aspects of employee-employer relations are governed by the 1996 Labor Code, which lists employee and employer rights in all sectors, both public and private. The

Polish government adheres to the International Labor Organization (ILO) Convention protecting worker rights.

Poland's economy employed nearly 15 million people in 1999, with 2.1 million or 11.6 percent officially registered as unemployed. Many of the registered unemployed actually work full or part time in the unofficial, gray economy, which adds an estimated 12-15 percent to the official GDP. Overall, employment in the public sector continues to shrink as the private sector grows. Employment has expanded most quickly in mostly private service industries such as retail trade, finance, insurance, as well as in the clothing, fuel, power, timber, and food processing sectors. The state-owned sector is still about a quarter of the labor force, though employment in such fields as coal mining, steel and energy is declining.

The impact of unemployment varies dramatically by region. Major urban areas such as Warsaw, Cracow, and Poznan have unemployment rates between three and six percent, while jobless in the agricultural areas in the northeast and northwest can exceed 25 percent.

For more detailed labor related information, please consult the Embassy's Labor Trends report published by:

Department of Labor
Bureau of International Affairs
200 Constitution Avenue, NW
Room "S" 5006
Washington, D.C. 20210
Tel (202) 219-6234
Fax (202) 219-5613

In Poland, please consult:

Embassy Labor Attache
U.S. Embassy
Al. Ujazdowskie 29/31
00-540 Warsaw
Tel (48-22) 628-3041

O. Foreign Trade Zones/Free Ports

The establishment, operation and closure of foreign trade zones or "free customs areas" (WOCs) in Poland is regulated by the 1997 Customs Law, and the December 1998 Resolution of the Council of Ministers on the Conditions and Criteria for Establishing and Closing WOCs (Dz.U. 164, art.1163, 12/30/1998). Business activities pursued within WOCs (formally, eight such areas were approved as of January 1996, but in 1998 one zone – Sokolka - was closed) are based on the same principles as those applied in the European Union (EU) member countries. Foreign-owned firms have the same investment opportunities as do Polish firms to benefit from foreign trade zones, free ports, and special economic zones.

The seven free customs areas are located at:

1. WOC Gliwice (southern border)
2. WOC Malaszewicze/Terespol (eastern border)
3. WOC Przemysl-Medyka (eastern border)
4. WOC Warszawa-Okecie International Airport

(duty-free retail trade within the airport)
5. WOC Szczecin (Baltic port)
6. WOC Swinoujscie (Baltic port)
7. WOC Gdansk (Baltic port)

Most of the existing free trade zones are involved in storage, packaging and repackaging. Bonded warehouses and customs and storage facilities are available, although it can be difficult for a company to obtain permission to build or buy its own facilities.

In October 1994, Poland enacted the Law on Special Economic Zones (SEZ). SEZs offer exemptions from income tax, local taxes and fees, and accelerated amortization of fixed assets. SEZs are intended for areas with significant unemployment. Since 1994, seventeen SEZs have been established in Poland. In June 1999, Polish government responding to pressures exerted by the European Union decided to stop opening new SEZs and cease extending the area of the existing ones. An amended law on SEZs should be ready at the end of 1999.

In the meantime, permits can be issued till the end of 2001 in zones located in local governments (gminas) with unemployment 150% above the national average, and for the other zones till the end of the year 2000. Two zones (Czestochowska and Mazowiecka Zones) will likely be closed since no investors appeared in these zones since they were established in 1997. Permits will not be issued to firms operating in sectors considered in the EU as sensitive, i.e., shipbuilding, steel industry and synthetic fiber production.

The Polish government is planning to work on an alternative set of financial instruments aimed at investment support, e.g. grants. Gminas and regions are encouraged to create their own instruments of attracting investors, e.g. sale of land below market value or the development of land at the expense of the gminas. Any proposals regarding SEZs will call for amendments to the current legislation. The European Union will be consulted about any amendments.

P. Foreign Direct Investment Statistics

Investment Trends: In recent years, Poland has been attracting high levels of foreign direct investment (FDI). Foreign companies choose Poland for a variety of reasons, including, its size, skilled work force, and low labor cost. It is expected that 1999 will be another good year for FDI in Poland. These expectations are based on the government's plans to privatize major Polish companies from the telecommunication sector (TPSA), banking (Pekao SA), insurance (PZU), the national airline (LOT), and power plants. The government in the first half of 1999 sold in the single largest transaction a majority stake in Pekao SA for USD 1.1 billion to Unicredito/Allianz (Italian and German). It also sold to Allied Irish Bank an 80 percent stake in a large regional bank (Bank Zachodni) for USD 580 million. Poland has become the leader in attracting FDI in the region, with Hungary falling to the second position and the Czech Republic keeping its third place.

Polish Investment Abroad: Poland is a net capital importer. Compared to the amount of foreign capital invested in Poland, Poland's foreign investments are very small. One of the reasons for the low level of Polish foreign investment is the low level of savings of Polish companies.

According to data of the National Bank of Poland, through the end of 1997 Polish firms had invested USD 678 million abroad (down USD 57 million from 735 million invested a year early). Poland's foreign investments are largest in Germany (23.4 percent), Great Britain (18.3 percent), the United States (12.1 percent), and France (11.1 percent). Over 50 percent of Poland's foreign investments are connected with the financial sector, 23.1 percent is invested in trade and services, 8.4 percent in transport, communications and warehouse management, 5.8 percent in manufacturing, and 2.4 percent in construction. Moreover, as part of the OECD accession process, Poland relaxed restrictions on the ability of Poles to invest in securities and stocks outside of Poland.

Levels of Foreign Direct Investment: According to data collected by the Polish Agency for Foreign Investment (PAIZ), foreign direct investment (FDI) in Poland reached a record-level of USD 10 billion (6.5 percent of GDP) in 1998. Total FDI reached USD 30.7 billion (20 percent of GDP) at the end of 1998. Out of this total, large investors (USD one million or more) invested USD 27.3 billion. Commitments to make additional investments during this period totaled USD 13 billion. PAIZ estimates that FDI in Poland in 1999 will easily reach the 1998 level (USD 10 billion).

According to official statistics, the U.S. is for the first time since 1989 in second place with regard to the volume of capital invested in Poland, right behind Germany. Germany also ranks first in terms of the number of firms operating in Poland. Several investments by U.S. firms have been attributed to other countries because they were made by the European subsidiary of the U.S. parent (e.g., Adam Opel/General Motors and Coca Cola). At the end of 1998, U.S. investments accounted for 18 percent of the total value of foreign investments in Poland. The manufacturing sector remains the most popular sector with foreign investors in Poland. In the years 1989-1998, USD 15.9 billion were invested in that sector, of which USD 4.5 billion were invested in the food industry and USD 3.6 billion in the motor industry. The second most attractive sector for foreign investors was the financial services sector, followed by trade and repairs, and construction sectors.

As of December 1998, 714 companies from over 30 countries had invested over USD one million in Poland. Among foreign firms and financial institutions, the largest capital investment was made by Italy's FIAT, which by December 1998 had invested over USD 1.36 billion. The Korea's DAEWOO has moved to a second place with investments worth USD 1.35 billion, followed by Gazprom (USD 960 million), the HypoVereinsbank AG (USD 724 million), EBRD (USD 650 million), Metro AG (USD 600 million), and Polish American Enterprise Fund (USD 505 million).

Foreign Investments in Poland 1990 - 1998

(USD Millions)	Year	Equity and Loans	Commitments
Grand Total:			
	1989	4.0	N/A
	1990	88.0	N/A
	1991	490.0	N/A
	1992	1,423.0	N/A
	1993	2,828.0	4,649.0
	1994	4,320.8	4,932.5
	1995	6,832.2	5,249.6

1996	12,027.7	7,933.3
1997	17,705.4	10,777.1
1998	27,279.6	13,326.8

Investment Individual Years:

1990	84.0	N/A
1991	402.0	N/A
1992	933.0	N/A
1993	1,405.0	N/A
1994	1,492.8	283.5
1995	2,511.4	317.1
1996	5,195.5	2,683.7
1997	5,677.7	2,843.8
1998	9,574.2	2,549.7

Total Investment United States:

1991	N/A	N/A
1992	N/A	N/A
1993	1,028.0	1,010.0
1994	1,413.7	1,534.3
1995	1,698.0	1,520.0
1996	2,965.6	2,669.9
1997	3,981.8	3,167.0
1998	4,911.2	3,654.4

United States Individual Years:

1993	N/A	N/A
1994	385.7	524.3
1995	284.3	-14.3
1996	1,267.6	1,149.9
1997	1,016.2	497.1
1998	929.4	487.4

Foreign Direct Investments (by countries of origin)(December 1998)

Country	Total Equity and Loans (USD Millions)
Germany	5,117.3
U.S.A.	4,911.2
France	2,398.9
Italy	2,037.6
Great Britain	1,929.5
Holland	1,878.9
International	1,813.1
South Korea	1,412.4
Russia	958.0
Austria	758.3
Sweden	691.5
Switzerland	666.2
Denmark	558.4
Norway	455.8
Canada	235.6
Ireland	226.1
Japan	198.3
Finland	191.2
Belgium	115.2

Portugal	147.2
Grand Total	27,279.6

Foreign Direct Investments (by industry sector destination – Dec.1998)

Sector	Equity and Loans (USD millions)	Commitments (USD millions)
Manufacturing	15,912.1	6,970.6
of which:		
- Food products, beverages, tobacco products	4,460.7	1,471.0
- Transport equipment	3,627.9	2,083.3
- Other non-metal goods	2,576.8	1,249.8
- Pulp, paper, paper products, publishing and printing	1,353.9	325.3
- Chemicals, chemical products	1,272.4	470.0
- electrical machinery	1,016.3	372.7
- other machinery and apparatus	584.8	343.1
- rubber and plastics	422.7	228.1
- basic metals and metal products	422.7	228.1
Financial Intermediation	4,802.9	1,140.4
Wholesale and retail trade, repairs	2,942.7	2,193.7
Construction	1,685.3	1,133.8
Transport and Communication	719.3	159.2
Hotels and restaurants	429.8	207.1
Communal, social, individual	397.8	386.1
Electricity, gas and Water supply	241.8	1,000.0
Real estate, renting and business activities	112.0	123.5
Agriculture	24.1	8.0
Mining and quarrying	11.8	4.4

The Top Twenty Major Foreign Investors in Poland (December 1998)

Investor	Equity and Loans (USD millions)	Origin	Branch
Fiat	1,357.4	Italy	Car manufacture
Daewoo	1,348.4	S. Korea	Car production, electronic equipment, construction, telecommunications
RAO Gazprom	958.0	Russia	construction (gas pipelines)
Bayerische Hypo			

Und Vereinsbank	724.0	Germany	banking
EBRD	653.5	Int'l	banking, capital participation in enterprises
Metro AG	598.0	Germany	retail and wholesale trade
Polish-American Enterprise Fund	505.0	USA	capital funding of private firms and participation in privatization
IPC	440.0	USA	pulp and paper
ING Group	420.0	Netherlands	banking
Commerzbank AG	389.0	Germany	banking
Philip Morris International	372.0	USA	tobacco industry
Reemtsma Cigaretten Fabriken GmbH	368.1	Germany	tobacco industry
Adam Opel AG	360.0	Germany	car manufacture
Coca-Cola Beverages	360.0	G.Britain	soft drinks production
Harbin BV	325.9	Netherlands	brewing
ABB	310.2	Int'l	power supply systems, turbines, electric engines
Nestle	309.0	Switzerland	food processing
Saint Gobain	296.0	France	glass, insulating materials
Pilkington	295.0	G.Britain	glass
Finance Corp.	284.2	Int'l	investment in private sector projects across all industry sectors
Pepsico	283.0	USA	food processing

The Top 20 U.S. Investors in Poland (December 1998)

Company	Value of Investments (USD millions)
Polish-American Enterprise Fund	505.0
IPC	440.0
Philip Morris	372.0
PepsiCo	283.0
Citibank	235.2
Epstein	200.0
Procter and Gamble	190.0
Mars Incorporated	163.0
Enron Int'l	132.0
Delphi Automotive Systems Holding Inc.	114.4
Goodyear	112.0
Mc Donald's	107.0
D.Chase Enterprises	100.0
Curtis	100.0
J.P.Morgan	100.0
Central European Media	85.0
Schooner Capital Corp/ White Eagle Industries	80.0
Sheraton Warsaw	80.0
R.J.Reynolds Tobacco	

Texaco Inc.	68.6
F and P Holding Company Inc.	66.8

Major Investments by Country of Origin, Number of Companies, Total Value, (Percent Share of Total), through December 1998

1. Germany, 163 companies, USD 5,117.3 million (18.8 percent)
2. United States, 112 companies, USD 4,911.2 million (18.0 percent)
3. France, 60 companies, USD 2,398.9 million (8.8 percent)
4. Italy, 64 companies, USD 2,037.6 million (7.5 percent)
5. Great Britain, 28 companies, USD 1,929.5 million (6.9 percent)
6. Holland, 42 companies, USD 1,878.9 million (6.8 percent)
7. International, 18 firms, USD 1,813.1 million (6.6 percent
8. South Korea, 4 companies USD 1,412.4 million (5.2 percent)

Source: PAIZ.
Note: PAIZ data is collected by means of a survey. The methodology applied by PAIZ is based on the OECD benchmark definition of FDI. The definition of FDI includes:

- equity contributed by foreign investors to the companies established by them in Poland (the foreign investor’s share must be at least 10 percent);
- medium- and long-term loans granted by foreign investors to the companies established by them in Poland;
- the value of re-invested profits reduced by dividend exported from Poland to the country of origin of investor.

VIII. Trade and Project Financing

A. Brief Description of Banking System

Poland's banking system continues to adapt and modernize. With the gradual installation of new telecommunications and the advent of increased competition between domestic and foreign banks, services are becoming increasingly more user friendly and efficient.

Although the availability of banking services varies from one bank to another, commercial banks generally offer a variety of money transfer and cash management services, but they do not usually provide access to cheap credit or extensive personal banking services. Banks set their own interest rates based on several factors, particularly the inflation rate, reserve requirements, and the National Bank of Poland (NBP) rates. In mid-1999, commercial lending rates were between 17 and 26%, with inflation running at 6.5% per annum. Special services such as cash management, counseling, and risk management for foreign currency transactions vary the most.

The process of privatization in the banking sector is ongoing. A number of large banks have shares listed on the Warsaw Stock Exchange, and more are planned for the future. By the end of 1999, the majority of the Polish banking sector's assets, deposits, and equity is expected to be in the hands of the private sector. The State Treasury owns three of the largest commercial banks, though it has announced plans to sell two of them in 1999. Poland has committed itself to open its market wider by allowing banks from countries in the Organization for Cooperation and Economic Development (OECD) to establish banks or branches in Poland.

Foreign companies do not have special restrictions on access to local finance as long as funds are used for activities in Poland. Obtaining a loan can be easier if the project is export oriented. Banks usually request proof of solvency and a business plan, as well as security. Security often takes the form of a large deposit (equal to the amount of the loan plus interest) earning a relatively low rate of interest. As property values in Poland are difficult to determine, banks often require property pledged as security to be worth two to three times the value of the loan. Loans are also available to smaller businesses that can produce credible offshore guarantees.

A growing number of foreign banks are establishing banking operations in Poland, either through local subsidiaries, fully operating branches, or participation in consortium banks, which may also include Polish bank shareholders. Several U.S. banks have offices in Poland. While some banks have branches all over Poland, many are regional or have few branches. Businesses with banking needs in varying areas should carefully consider the location of their bank and availability of branches.

The zloty is, for most purposes, fully convertible. Companies operating in Poland have free access to foreign currency to finance imports, but they must exchange their hard currency export earnings, which are held in zloty accounts. Though still much opposed by foreign business, the system itself has not proven problematic (owing to the stability of the zloty). There have been no failures of the banking system to provide hard currency on demand. Profits can be repatriated by law, including repatriation through bonds and securities.

Polish companies may utilize zloty earnings to buy foreign currency to pay for imports. This helps to open the market for western goods. Transfers of hard currency abroad, other than as payments for trade transactions, are controlled.

The banking system is supervised by the central bank, the National Bank of Poland (NBP). NBP is responsible for the issue of money and control of the monetary and credit policy in Poland. It grants banking licenses and foreign exchange permits. Today there are 83 banks in Poland that are privately owned or operate as commercial companies. In addition, there are 1,295 independent cooperative banks. As of mid-1998, 26 foreign banks operate in Poland. U.S. banks and branches include American Bank in Poland (AmerBank, in which Bankers Trust is a shareholder), Citibank, Bank of America, American Express (which operates a full travel related services office in Warsaw), GE Capital, Ford, and General Motors. Fifteen Polish banks have been approved by the Ex-Im Bank for bank guarantees and currently engage in foreign trade financing.

It sometimes can take two to four weeks to collect money on a sale within Poland, so cash management services can make a significant difference in business profitability.

Business counseling ranks high among the features of some foreign banks in Poland, and most encourage their clients to call before investing. These banks offer counseling services to western firms on regulations and business practices in Poland, and some spend considerable time counseling Polish businesses on western business practices, business plans, and financial plans.

B. Foreign Exchange Controls Affecting Trading

Since the beginning of 1996, domestic business entities have not been required to resell foreign currency payments from abroad to a foreign exchange bank. Instead, they may have a Polish bank account denominated in the foreign currency and keep these payments in that account. However, if a Polish business entity does want to resell a foreign means of payment received from abroad, it can do so only to an authorized foreign exchange bank (i.e. the banks indicated by the President of NBP). When these businesses need foreign exchange, the invoice for goods to be purchased must be presented to prove the currency is needed. Most banks insist that there is no problem acquiring foreign currency. Several banks guarantee wire transfers within 48 hours, although the general rule is that foreign banks are faster than domestic ones. A transfer can be as quick as one day if it is between affiliated banks or banks on the SWIFT system and if the order is placed early in the day. It is best to have a contact at the bank monitor the transaction.

C. General Financing Availability

All commercial banks in Poland offer funds transfers and investment or working capital loans. Banks are limited by law in their exposure to any one creditor. Due to these capitalization requirements, large loans must sometimes be shared between two or more banks. The National Bank of Poland (NBP) influences interest rates for deposits or loans via the interbank offer rate. Banks charge rates of interest based on the NBP lombard rate plus bank surcharges and front-end fees.

D. How to Finance Exports/Methods of Payment

Import financing procedures in Poland adhere to western business practice. All payments go through qualified foreign exchange banks. The safest method of receiving payment for a U.S. export is through an irrevocable letter of credit (L/C). However, most banks in Poland require the importer to deposit funds prior to issuance of a letter of credit. So, for most Polish importers, the L/C is not a financing tool but a payment mechanism.

Difficulties in obtaining U.S. bank guarantees on Polish letters of credit seem to stem from considerations of Poland's overall debt performance. They do not necessarily reflect the actual performance of Polish banks on L/Cs, which is generally considered excellent. Typically, letters of credit are opened for a period to cover production and shipping, and they are normally paid within seven working days of receipt of the goods. Cash payment or down payments provide an extra measure of security for export sales.

Polish companies sometimes offer to pay for U.S. exports cash-in-advance, as it can be difficult for them to get Polish bank guarantees. U.S. exporters who request cash-in-advance payments (usually through money orders or certified bank drafts) need to be aware that many Polish companies are strapped for cash and may need time to organize their funds. Their delays are not a result of lack of interest, but more often a result of the need for time to arrange financing or loans. Finally, cash payments often arrive in the U.S. in installments and not as a single payment.

E. Types of Export Financing and Insurance Available

Sources of financing for projects in Poland vary depending upon specific financial requirements and needs. Financing is found under special programs such as those of the World Bank, the International Finance Corporation (IFC), the European Bank for Reconstruction and Development (EBRD), and other financial assistance programs created by western governments. In addition to local financing through Polish banks, self-financing, and financing through U.S. sources, the following organizations provide financing and/or insurance for investments made in Poland.

(1) Export-Import Bank of the United States (Ex-Im Bank)

The Ex-Im Bank provides guarantees of working capital loans for U.S. exporters, guarantees the repayment of loans, and makes loans to Polish purchasers of U.S. goods and services. The Ex-Im Bank also provides credit insurance that assists U.S. exporters shipping on short and medium term credits by insuring against nonpayment by foreign buyers. Working Capital Guarantees cover 90% of the principal and interest on commercial loans to creditworthy, small and medium sized companies that need funds to buy or produce U.S. goods or services for export. Export Credit Insurance policies protect against both the political and commercial risks of a foreign buyer defaulting on payment. There are no discretionary credit limits for short-term comprehensive credit insurance. Coverage is generally limited to irrevocable letters of credit issued or guaranteed by one of the eight banks that Ex-Im recognizes as having an international reputation for creditworthiness. Other transactions are examined on a case-by-case basis. In addition, Ex-Im Bank offers direct loans, which provide foreign buyers with competitive, fixed-rate financing for their purchases from the United States. For additional information on these programs contact CS Warsaw at Warsaw.Office.Box@mail.doc.gov.

Ex-Im Bank
811 Vermont Ave., N.W.
Washington, D.C. 20571
tel: 1-800-565-EXIM, 202-565-3946,
fax: 202-565-3380
http://www.exim.gov

(2) Polish-American Enterprise Fund

The Polish-American Enterprise Fund (PAEF) was established by the U.S. Congress in 1989 to promote the development of the Polish private sector through investment in small and medium-sized companies. PAEF has received a total of $240 million from the U.S. government. The Fund provides loans, grants, equity investments, feasibility studies, technical assistance, insurance, and guarantees to a variety of Polish businesses, agriculture concerns, and U.S.-Polish joint ventures. PAEF is the most profitable of the 11 enterprise funds set up by the U.S. government in Central and Eastern Europe after the collapse of communism, with total assets growing to about $270 million over the 10 past years. As of May 1997 PAEF has provided financing for more than 50 major investments with a minimum investment of USD 1,000,000. In May 1999, the U.S. government requested that nearly half of PAEF’s assets be returned to the U.S. State treasury. The U.S. administration’s notification asks for $120 million to be given to the U.S.

treasury over a three-year period, while the remaining $150 million is to be used to establish a philanthropic fund in Poland.
For more information, please contact:

Enterprise Investors
375 Park Avenue, Suite 1902
New York, NY 10152
tel: 212-339-8330
fax: 212-339-8359

or

Polish-American Enterprise Fund
Al. Jana Pawla II 25
Warsaw, Poland
tel: (48-22) 653-4500
fax: (48-22) 653-4555
Contact person: Mr. Robert Faris, President and CEO

The Polish American Enterprise Fund through Fundusz Mikro Sp. z o.o. has successfully operated a microcredit program since 1994, giving loans of 5,000 USD to 30,000 USD. Microcredit programs, which offer loans to small businesses, are an attractive alternative to commercial banks., According to the President & CEO of the PAEF, Fundusz Micro will continue its operation for at least two to four years.

For more information, please contact:

Fundusz Mikro Sp. z o.o.
ul. Zurawia 22
00-515 Warsaw
tel: (48-22) 629-00-92
fax: (48-22) 628-88-11

(3) Enterprise Credit Corporation/First Polish-American Bank S.A.

The Polish-American Enterprise Fund through the Enterprise Credit Corporation (ECC) launched a Small Business Loan program, which since 1995 has been administered by the First Polish-American Bank S.A. In the period between 1991 and April 1997, the ECC has provided more than 5,992 small loans to Polish companies totaling USD 211.3 million. The loans have been used to finance everything from imports or U.S. exports of equipment and technology, to factory upgrades and modernization, to co-financing of entrepreneurs who are starting new businesses. There is no minimum loan limit, but maximum loans are USD 250 thousand and the loan term is 3 years. In justified cases 5 year loan repayment terms may be granted. Loans have a variable rate plus margin. U.S. companies seeking to assist their Polish partners in securing low-interest rate financing for imports of their equipment should contact:

The First Polish-American Bank S.A.
ul. K. Kordylewskiego 11
Krakow, Poland
tel: (48-12) 13-66-66
fax: (48-12) 12-46-71

(4) USDA Export Credit Guarantee Programs

USDA has three credit guarantee programs to support exports of U.S. food and agricultural products to Poland. The Supplier Credit Guarantee Program (SCGP) is available for Poland for the first time in Fiscal Year 1998. Under the SCGP, USDA guarantees up to 50% of the principal offered on credit terms of 15, 20, 30, 45, 60, 90, 120, 150, and 180 days. SCGP has a limit of USD 10 million for Poland and does not require a letter of credit.

USDA guarantees payment of letters of credit issued by Polish banks in favor of U.S. exporters under the GSM-102 and GSM-103 program. GSM-102 export credit guarantees of USD 25 million for 90 days to three years through approved banks are available for Poland. GSM-103 export credit guarantees of up to USD 5 million on credit terms in excess of three years, but not more than five years, are also available for exports of U.S. breeding livestock. Further information on these programs can be obtained from:

U.S. Department of Agriculture
Foreign Agricultural Service
tel: (202) 720-7115

Or by checking news releases for these programs on the Foreign Agricultural Service homepage:

www.fas.usda.gov/scriptsw/PressRelease/pressrel_frm.idc

(5) Commercial Bank Financing

Until very recently commercial bank financing for U.S. exports to Poland was limited due to Poland's poor credit rating. Since the signing of the London and Paris agreements, however, more banks have been willing to offer financing for U.S. exports to Poland.

F. Project Financing Available, Including Lending from Multilateral Institutions and Types of Projects Supported

(1) The World Bank

The World Bank serves as a source of loans for economic development and reform programs in Poland. The World Bank finances projects in six main areas: support of Government efforts in the energy sector, improvement of municipal and basic infrastructure, development of key Polish institutions and systems to support a market oriented economy, and development of the social and financial sectors.

The World Bank uses guarantees to support and attract private investment for projects that demand large sums of long term financing, or are in areas of high political risk. Guarantees are used to stimulate investment, and the World Bank only provides partial guarantees, sharing the risk with private lenders. The World Bank utilizes two types of guarantees in addition to the possibility of issuing a World Bank loan. A Contractual Compliance Guarantee protects private lenders against specific risks identified by the host Government, the private party, and the World Bank. A Partial Credit Guarantee protects private lenders against possible late loan payments and finances extensions of medium term loans.

A summary of projects and procurement financed by the World Bank is printed in a bi-monthly publication available by contacting:

Development Business
UN Department of Public Information
PO Box 5850 Grand Central Station
New York, NY 10163-5850
tel: 212-963-1515
fax: 212-963-1381

Further information on World Bank programs can be obtained from:

Public Information Center
World Bank Headquarters
1818 H Street, N.W., Room GB 1-300
Washington, D.C. 20043
tel: 202-477-1234

or

World Bank Resident Mission
Intraco I Building, 17th Floor
2 Stawki Street
Warsaw, Poland
tel: 48-22-635-0553
fax: 48-22-635-9857

(2) International Finance Corporation (IFC)

The IFC is a member of the World Bank Group which provides non-government guaranteed direct investment in private businesses. Its purpose is to attract foreign and host country investors to supply additional debt and equity financing. IFC has been active in Poland since 1987. IFC investment will continue at the same level as last year. To date, IFC has invested over USD 505 million in 26 projects in various sectors. For additional information, please contact:

International Finance Corporation Resident Mission
ul. Emilii Plater 28
Warsaw, Poland
tel: 48-22-630-3444
fax: 48-22-630-3445

(3) U.S. Trade and Development Agency (TDA)

TDA promotes U.S. exports through direct assistance to middle-income countries, including Poland. TDA accomplishes this by financing feasibility studies and related planning services and training programs. These projects must, as a rule, offer good opportunities for U.S. export of equipment and services. TDA has feasibility study financing available to the public and private sectors. The public sector program comprises more than 90% of TDA financing. It offers grants to foreign governments for feasibility studies to be performed by U.S. firms in large-scale public sector projects. The private sector program offers cost-sharing of feasibility studies with U.S. investors on a reimbursable basis. TDA has provided more than USD 10 million in feasibility grants to Poland over the last four years. For further information contact:

U.S. Trade and Development Agency,

Washington, D.C. 20523-1602
tel: 703-875-4818
fax: 703-875-4009

(4) European Bank for Reconstruction and Development

The European Bank for Reconstruction and Development (EBRD) operates as both a development bank and merchant bank, providing government guarantees and commercial loans. The EBRD lends and invests exclusively in projects in Central and Eastern Europe, and at least 60% of its funding is targeted to private sector companies or state-owned companies going through the privatization process. As of January 1997, the EBRD had approved funding for 61 projects for a total investment of ECU 4,129.9 million. With an emphasis on the environment, the EBRD requires proposals that demonstrate good products or services with sound market prospects, significant capital commitments by project sponsors, dependable technology, sound environmental management, a high return on investment, and overall financial viability of the borrowing enterprise. For further information, please contact:

European Bank for Reconstruction
and Development
U.S. Office
London, England
tel: 44-71-338-6569
fax: 44-71-338-6487

Polish Office
Lim Centre
Al. Jerozolimskie 65/79
Warsaw, Poland
tel: 48-22-630-7275
fax: 48-22-630-6551

(5) Overseas Private Investment Corporation (OPIC)

OPIC is a self-sustaining U.S. government agency that provides investment information, financing, and political risk insurance for U.S. companies investing in emerging markets like Poland. OPIC offers medium to long term financing in Poland through its direct loans and guarantees program. Direct loans are reserved for U.S. small business or cooperatives and generally range in amounts from USD 2-10 million. Loan guarantees are issued to U.S. lending institutions and range in size from USD 10-75 million, and in certain instances to USD 200 million. OPIC can insure U.S. investments against political violence, expropriation, and inconvertibility of local currency.

OPIC has initiated a USD 65 million fund called Poland Partners. The fund is designed to provide capital for new projects, expansion of existing enterprises, and privatization of state-owned businesses. Poland Partners will focus on seven high growth sectors: 1. pharmaceutical and personal care products; 2. automotive after-market; 3. building supplies and home improvements; 4. financial services; 5. franchised services; 6. plastic molding; and 7. food processing. OPIC also has developed an environmental fund to provide capital to U.S. companies involved in projects linked to economic development and the protection of the environment in Poland and other countries in Central and Eastern Europe. For projects involving warehousing, industrial sites, and distribution, OPIC has established a real estate fund. For more information, please contact:

Overseas Private Investment Corporation
1100 New York Avenue, N.W.
Washington, DC 20527
tel: (202) 336-8799
fax: (202) 408-9859
OPIC FACTS LINE: 202-336-8700

G. List of Banks with Correspondent U.S. Banking Arrangements

Bank Przemyslowo Handlowy S.A. (BPH)
ul. Na Zjezdzie 11
30-527 Krakow, skr. poczt. 57
tel: (48-12) 618-7888, 618-7845
fax: (48-12) 618-7843

Pomorski Bank Kredytowy S.A. (PBKS)
Pl. Zolnierza Polskiego 16
70-551 Szczecin
tel: (48-91) 440-0100
fax: (48-91) 433-3114

Powszechny Bank Gospodarczy S.A.
Al. J. Pilsudskiego 12, skr. Poczt.12
90-950 Lodz
tel:(48-42) 636-6244
fax:(48-42) 636-7772

Bank Polska Kasa Opieki, S.A. (PBKO)
(Pekao, SA)
ul. Grzybowska 53/57
00-950 Warsaw
tel:(48-22) 656-0780, 656-0781
fax:(48-22) 656-0453

Bank Zachodni S.A. (BZ)
Rynek 9/11, skr. poczt. 1109
50-950 Wroclaw
tel: (48-71) 44-5411, 72-3138
fax: (49-71) 343-2883, 72-3138

Gornoslaski Bank Gospodarczy S.A. (BGBK)
Bank Slaski SA
ul. Warszawska 6, skr. poczt. 1138
40-006 Katowice
tel: (48-32) 200-8500
fax: (48-32) 58-6497

Bank Inicjatyw Gospodarczych BIG S.A. (BIG)
ul. Kopernika 36/40, skr. poczt. 6
00-924 Warsaw
tel: (48-22) 657-5050, 657-5000
fax: (48-22) 626-7180, 657-5009

Bank Handlowy w Warszawie S.A. (BH)

(Commercial Bank SA)
ul. Koszykowa 54
00-950 Warsaw
tel:(48-22)630-8625
fax:(48-22)630-8609

Bank Rozwoju Eksportu, S.A. (BRE)
(Export Development Bank SA)
Plac Bankowy 2, skr. poczt. 728
00-950 Warsaw
tel:(48-22)637-2800
fax:(48-22)637-1879

Powszechna Kasa Oszczednosci
Bank Panstwowy (PKO BP)
ul. Nowy Swiat 6/12, skr. poczt. 639
00-950 Warsaw
tel:(48-22)637-1618
fax:(48-22)635-5855

Bank Gospodarki Zywnosciowej S.A. (BGZ)
(Bank for the Food Economy)
ul. Kasprzaka 10/16
01-215 Warsaw
tel:(48-22) 860-4000
fax:(48-22) 860-5045

Bank Depozytowo-Kredytowy S.A. (BDK)
ul. Wieniawska 12
20-071 Lublin
tel:(48-81)532-0171
fax:(48-81)534-3271

Bank Gospodarstwa Krajowego (BGK)
ul. Swietokrzyska 12, skr. poczt. 57
00-916 Warsaw
tel: (48-22) 826-23-51, 20-03-11
fax: (48-22) 20-07-30

Narodowy Bank Polski (NBP)
ul. Swietokrzyska 11/21, skr. poczt. 1011
00-919 Warsaw
tel: (48-22) 653-2335, 653-2571
fax: (48-22) 653-1321

IX. Business Travel

A. Business Customs

It is customary to greet by shaking hands in Poland. A businesswoman should not be surprised if a Polish man kisses her hand upon introduction, at subsequent meetings or saying goodbye. American men are not expected to kiss a Polish woman's hand, but may simply shake hands. Business cards are the norm in Poland and are generally given to each person present in a meeting. As Poles tend to bring more than one person to their meetings, U.S. visitors should bring plenty of cards. It is not necessary to have cards printed in Polish.

Business attire is generally formal, including a suit and tie for men, and a suit or dress for women. Casual wear, including jeans, is suitable for informal occasions, but more formal dress is usually customary for visiting or entertaining in the evening. Flowers, always an odd number, are the most common gift among friends and acquaintances. Sunday is the traditional day for visiting family and friends in Poland.

B. Travel Advisories and Visas

The principal problem encountered by visitors to Poland is property crime. Pick pocketing, hotel break-ins, and car theft are common, particularly in areas of heavy tourist activity. Visitors are advised to pay particularly close attention to their belongings while in airports and railway stations, as well as on trains. Violent crime remains rare, but is growing. Consult the Consular Information Sheet, prepared by the U.S. Department of State, for updates.

There are no visa requirements for U.S. citizens coming to Poland for business purposes of up to 90 days. Business visitors on temporary duty are required to obtain a work permit if they will be in Poland longer than 90 days. Applications for this permission must be filed with the District Employment Office (Wojewodzki Urzad Pracy) by prospective employers six weeks before the start of employment. The application fee is 650 Polish zloty. If after 14 days, the decision is positive, the office will mail a “Promesa” (an assurance of permit issuance) to the employer. The worker uses the “Promesa” to apply for a work visa at a Polish Embassy or Consulate abroad. People already in Poland are obliged to leave the territory of Poland to apply for their work visas. The work visa fee is approximately USD 170, payable in dollars. After arriving in Poland with the visa, the worker must obtain the work permit from the District Employment Office within seven days of commencing work. Permits are issued for 12 months. Permits may be extended at the request of the employer. The extension fee is 325 Polish zloty.

C. Holidays

The following public holidays are observed in Poland: New Year's Day (January 1), Easter Monday (day after Easter), Labor Day (May 1), Constitution Day (May 3), Corpus Christi (late May/early June), Assumption of the Virgin Mary (August 15), All Saints' Day (November 1), Independence Day (November 11), Christmas (December 25), and Boxing Day (December 26). One Saturday per month is, by custom, considered a working Saturday, but there is no consistency among institutions or exact observance as such. Poland operates in Central European Time (CET), the same time zone as continental Western Europe. Business hours are generally from 8:00 a.m. to 4:00 p.m.

D. Business Infrastructure

Transportation by air to and from Poland is excellent. International carriers fly to Poland many times per day from all over the world, and the Polish Airline LOT has direct flights to Warsaw from Chicago, New York, and Newark. Delta, American, Northwestern and United are the only U.S. carriers in Poland at this time.

Transportation within Poland is convenient. Flights go between major cities and trains go everywhere and are quite efficient. Rental cars are abundant, but due to significantly increased traffic over the past few year and a highway system that has not kept up, driving between Polish cities, especially at night, can be quite dangerous.

First-class business hotels are available in most major Polish cities, and many are located in the heart of business districts. Some major western hotels offer air-conditioned rooms and direct dial telephone capability from rooms. Many hotels offer a business center with computers, business assistance services, and faxing capability. Almost all business hotels take major credit cards. Charges and room rates are seasonal and competitive, and business travelers are advised to check and confirm rates at hotels in advance of their travel.

Telephoning to and from Poland is much easier today than just a few years ago. AT&T, Sprint, and MCI calls can be placed from Poland. Direct dial around the world is possible and can sometimes be easier than placing local calls across town. The Polish telephone system in many areas is still rotary dial, making it difficult to link-up and use some modern telephone services in the United States.

Poland uses the metric system of weights and measures. Electrical appliances use 220 volts AC, 50Hz, with continental (two-prong) outlets.

X. APPENDICES

APPENDIX A: Country Data

Population:	38.64 Million
Religion:	90% Roman Catholic
Government:	Parliamentary Democracy
Language:	Polish
Work Week:	Monday through Friday

APPENDIX B: Domestic Economy

	1997	1998	1999(f)
GDP Current (USD Billions)	143	158	158
GDP Growth Rate (real % change)	6.8%	4.8%	3.5-4.0%
GDP Per Capita			
(in current USD)	3,700	4,070	4,050
(at purchasing power parity)	7,600	7,900	N/A
Gov't Spending (% of GDP)	26.8%	25.4%	N/A
Inflation (% change Dec-Dec)	13.2%	8.6%	7.4%
Unemployment (Percent)	10.3%	10.4%	11.8%
Foreign Exchange Reserves(mln USD)			
-gross	20,670	27,382	N/A
-net	24,429	28,800	N/A
Average Exchange Rate (**)	3.2808	3.4937	3.9000
Foreign Hard Curr. Debt(mln USD)	38,500	42,761	45,000
Foreign Debt Service			
(as a % of exports)(***)	5.9%	5.0%	N/A

Notes:

Polish Government Statistics, unless otherwise noted
f   = Forecast, straight line projections
N/a = Data not available
** = Polish Zloty per USD 1
*** = IMF

Appendix C: Trade

The following figures are from Poland's Central Statistical Office and are in USD millions, unless otherwise noted.

	1997	1998	1999***
Total Poland Exports	27,230	30,200	32,100**
Total Poland Imports	38,498	43,900	44,900**
U.S. Imports from Poland	698*	783*	N/A
U.S. Exports to Poland	1,171*	882*	N/A
U.S. Share of Polish Imports	5.5%	3.8%	N/A

Notes:
*   = U.S. Department of Commerce
** = NBP (Balance of Payments)
*** = Estimated

Five Principal U.S. Exports to Poland (HS) in 1998 (@)

1. Nuclear Reactors, Boilers, Machinery and Mechanica (199.201 mln)
2. Electrical Machinery and Equipment and Parts (116.605 mln)
3. Special Classification Provisions, Nesoi (69.731 mln)
4. Meat and Edible Meat Offal (59.054 mln)
5. Vehicles, other than Railway or Tramway (55.279 mln)

Five Principal U.S. Imports from Poland (HS) in 1998 (@)

1. Nuclear Reactors, Boilers, Machinery and Mechanica (172.595 mln)
2. Electrical Machinery and Equipment (86.318 mln)
3. Bulldozers and Angledozers (54.153 mln)
3. Glass and Glassware (51.862 mln)
4. Iron and Steel (47.353 mln)
5. Woven Apparel (40,430 mln)

Notes
Polish Central Office of Statistics Data, Unless Noted
@ = USDOC Estimate
a = Agricultural Policy Analysis Unit/ Foreign Markets Monitoring Unit of the foundation Assistance Programs for Agriculture (FAPA)
b = U.S. Census Data

APPENDIX D: Investment Statistics

The investment climate in Poland continues to improve. This is reflected in the magnitude of inflows of direct foreign investment. In 1998, foreign direct investment in Poland reached a record level of USD 10 billion.

Foreign companies chose Poland for a variety of reasons, including: its size, skilled work force, relatively low labor cost, and expected admission to the European Union.
Poland continues to move up the list of top countries for foreign investment outpacing Germany and France.

Note: State Agency for Foreign Investment (PAIZ) tracks only foreign investment in Poland by "major" investments, or those made by "large" foreign investors, totaling USD 1 million or more. According to PAIZ, at the end of 1998 there were 714 companies representing 34 countries that invested more than US$ 1 million.

The following investment information on Poland is based on PAIZ data and is cumulative to-date listed:

Foreign Investment, year-end 1998:	$27,279.6 mln
Foreign Investment, year-end 1997:	$17,705.4 mln
Foreign Investment, year-end 1996:	$12,027.7 mln
Foreign Investment, year-end 1995:	$6,832 mln
Foreign Investment, year-end 1994:	$3,741 mln
Foreign Investment, year-end 1993:	$3,041 mln

Major Investments by Country of Origin, Number of Companies, Total Value, (Percent Share of Total), through December 1998

1. Germany, 163 companies, USD 5,117.3 million (18.8 percent)
2. United States, 112 companies, USD 4,911.2 million (18.0 percent)
3. France, 60 companies, USD 2,398.9 million (8.8 percent)
4. Italy, 64 companies, USD 2,037.6 million (7.5 percent)
5. Great Britain, 28 companies, USD 1,929.5 million (6.9 percent)
6. Holland, 42 companies, USD 1,878.9 million (6.8 percent)
7. International, 18 firms, USD 1,813.1 million (6.6 percent
8. South Korea, 4 companies USD 1,412.4 million (5.2 percent)

Industrial Structure of Foreign Investment in Poland

1. Manufacturing (57.5%)
   including:
   - Food Processing (16.2%)
   - Transportation equipment (13.0%)
   - Non-metallic mineral products (9.4%)
2. Financial services (17.5%)
3. Trade and Repairs (10.5%)
4. Construction (6.2%)
5. Transport, storage, communication (2.5%)

Sectoral Breakdown of U.S. Investments in Poland

1. Food/Food Processing
2. Consumer Goods
3. Paper Industry
4. Banking and Finance
5. Construction and Engineering
6. Telecommunications
7. Other

Appendix E: U.S. and Country Contacts

U.S. Embassy Trade Related Contacts

Commercial (Commercial Service):

Mr. David Fulton, Commercial Counselor
Mr. David Ponsar, Commercial Attache
Mr. Alain Bobet, Commercial Representative
Aleje Jerozolimskie 56 c, 00-803 Warsaw
tel: (48-22) 625-43-74
fax: (48-22) 621-63-27
Warsaw.Office.Box@mail.doc.gov
www.CSCentralEurope.org/Poland

Agriculture:

Mr. James Higgiston, Agricultural Counselor
Mr. Stan Phillips, Agricultural Attache
Aleje Ujazdowskie 29/31, Warsaw
tel: (48-22) 628-30-41
fax: (48-22) 628-1172

Economic:

Mr. John Hoover, Economic Counselor
Aleje Ujazdowskie 29/31, Warsaw
tel: (48-22) 628-30-41
fax: (48-22) 628-37-54

Office of Defense Cooperation:

Lt.Col. Peter Podbielski
Aleje Ujazdowskie 29/31, Warsaw
tel: (48-22) 628-30-41
fax: (48-22) 625-34-78

U.S. Agency for International Development
Mr. William Frej, AID Representative
Aleje Jerozolimskie 56c, 00-803 Warsaw
tel: (48-22) 625-0060, 630 2480
fax: (48-22) 628-7486

American Consulate General Krakow
Mr. Francis Scanlan, Consul General
ul. Stolarska 9, Krakow
tel: (48-12) 429-66-55
fax: (48-12) 421-82-92

Chambers of Commerce and Bilateral Business Councils

National Chamber of Commerce of Poland
ul. Trebacka 4
00-074 Warsaw
tel: (48-22) 826-0221
fax: (48-22) 827-4673

American Chamber of Commerce in Poland (AmCham)
ul. Swietokrzyska 36, Room 6

00-116 Warsaw
tel./fax: (48-22) 622-5525 or 620-2698

Business Foundation
ul. Rozbrat 26
00-429 Warsaw
tel: (48-22) 621-7111
fax: (48-22) 622-7024

Business Centre Club
Palac Lubomirskich
00-136 Warsaw
Plac Zelaznej Bramy 2
tel: (48-22) 625-3037
fax: (48-22) 621-8420

Country Government Offices

Ministry of Transportation and Maritime Economy
ul Chalubinskiego 4/6
00-928 Warsaw
tel: (48-22) 621-5676 or 628-5553
fax: (48-22) 830-0261 or 830-0089

Ministry of Environmental Protection
ul. Wawelska 52/54
00-922 Warsaw
tel: (48-22) 825-41-11
fax: (48-22) 825-47-05

Ministry of Agriculture and Food Economy
ul. Wspolna 30
00-930 Warsaw
tel: (48-22) 623-1303
fax: (48-22) 623-2750 (51)

Ministry of Finance
ul. Swietokrzyska 12
00-916 Warsaw
tel: (48-22) 826-5595
fax: (48-22) 826-6352

Ministry of Economics
Pl. Trzech Krzyzy 5
00-950 Warsaw
tel: (48-22) 693-5955
fax: (48-22) 621-9714

Ministry of Treasury
ul. Krucza 36
00-522 Warsaw
tel: (48-22) 628-1689 or 695-8590
fax: (48-22) 628-1914

Polish Center for Research and Certification

Polskie Centrum Badan I Certyfikacji (PCBC)
Mr. Janusz Berdowski, Director
ul. Klobucka 23a
02-699 Warsaw
tel: (48-22) 857-9916
fax: (48-22) 647-12-22

Polish Agency For Foreign Investment
Aleja Roz 2
00-559 Warsaw
tel: (48-22) 621-6261, 621-8904
fax: (48-22) 621-8427

Country Market Research Firms

ALCAT COMMUNICATION WARSAW LTD.
ul. Karlowicza 9a
02-501 Warszawa
tel.845 2242, tel.848 4640
fax.848 6782
Contact: Ms. Alma Kadragic

BURSON-MARSTELLER
ul. Smolna 12
00-375 Warszawa
tel.657 88 00,
fax.657 8905, 657 88 11
Contact: Mr. Piotr Filipek

COMPANY ASSISTANCE Ltd.
ul. Podwale 13
00-950 Warsaw
tel: (48-22) 635-8650, 635-8944
fax: (48-22) 631-7920
Contact: Ms. Agnieszka Pa_ka

CRACOVIAN INTERNATIONAL CONSULTANTS (CIC)
ul.Sw.Jana 2/3
31-018 Krakow
tel.(012) 422 1636,
fax.(012) 411 1636
Contact: Mr. Witos_aw St_pie_

D'ARCY, MASIUS,BENTON & BOWLES
ul. Goraszewska 7
02-910 Warszawa
tel. 408 020,
fax. 408 107
Contact: Ms. Maria Wojciechowska

IAS Polska, Sp.z o.o. (International Advisory Services Group Ltd.)
ul. Francuska 35
40-027 Katowice
tel: (48-32) 757-2649
fax: (48-32) 757-2649

Contact: Miros_aw Ma_achowski

Country Commercial Banks and Financial Institutions

Amerbank
ul. Marszalkowska 115
00-102 Warsaw
tel: (48-22) 624-85-05
fax: (48-22) 624-99-81

Citibank
ul. Senatorska 16
00-082 Warsaw
tel: (48-22) 657-7200
fax: (48-22) 657-7580

PPA Bank S.A.
ul. Cypryjska 2A
02-731 Warsaw
tel: (48-22) 642-1143
fax: (48-22) 642-1143

Chase Manhattan Bank
Warsaw Financial Center
ul. Emilii Plater 53
00-113 Warsaw
tel: (48-22) 520-5100
fax: (48-22) 520-5120

GE Capital Bank
ul. Waly Jagiellonskie 36
80-853 Gdansk
tel: (48-58) 304-0808
fax: (48-58) 304-0721

The First Polish-American Bank in Krakow
(Pierwszy Polsko-Amerykanski Bank w Krakowie)
ul. Kordylewskiego 11
31-547 Krakow
tel: (48-12) 413-66-66
fax: (48-12) 412-46-71

Polish-American Mortgage Bank
(Polsko-Amerykanski Bank Hipoteczny S.A.)
ul. Krolewska 27
00-060 Warsaw
tel: (48-22) 827-3309 or 827-1111
fax: (48-22) 827-6729

Bank of America
Al. Jana Pawla II 25
00-854 Warsaw
tel:(48-22) 654-25-00
fax:(48-22) 654-25-15

The following banks have been recognized by Ex-Im Bank for credit worthiness:

Bank Handlowy w Warszawie S.A.
(Commercial Bank S.A.)
ul. Chalbinskiego 8
00-950 Warsaw
tel: (48-22) 690-30-00
fax: (48-22) 830-01-13

Bank Polska Kasa Opieki, S.A.
(Pekao S.A.)
ul. Grzybowska 53/57
00-950 Warsaw
tel: (48-22) 656-0780, 656-0781, 656-00-00
fax: (48-22) 656-0453

Bank Rozwoju Eksportu, S.A.
(Export Development Bank SA)
Plac Bankowy 2
00-950 Warsaw
tel: (48-22) 637-2800
fax: (48-22) 637-1879

Powszechna Kasa Oszczednosci
Bank Panstwowy
(PKO BP - State Bank)
Plac Bankowy 2
00-950 Warsaw
tel: (48-22) 635-9355
fax: (48-22) 635-4213

Bank Gospodarki Zywnosciowej
(Bank for the Food Economy)
ul. Chelmska 19/21
00-916 Warsaw
tel: (48-22) 851-1128
fax: (48-22) 851-0511

Bank Slaski S.A.
ul. Warszawska 14
40-950 Katowice
tel: (48-32) 253-89-06
fax: (48-32) 253-99-44

Bank Depozytowo-Kredytowy S.A.
ul. Chopina 26a
20-954 Lublin
tel: (48-81) 532-0171
fax: (48-81) 532-3318

Powszechny Bank Gospodarczy S.A.
Al. J. Pilsudskiego 12
90-950 Lodz
tel: (48-42) 636-6244
fax: (48-42) 636-7772

Multilateral Development Bank Offices in Poland

European Bank for Reconstruction and Development
Ms. Irene Grzybowski, Head of the Warsaw EBRD Office
Warsaw Financial Center
XIII Floor
ul. Emilii Plater 53
00-113 Warsaw
tel: (48-22) 520-57-00
fax: (48-22) 520-58-00

World Bank
Mr. Basil Kavalsky, Country Director
Warsaw Financial Center
IX Floor
ul. Emilii Plater 53
00-193 Warsaw
tel: (48-22) 520-80-00
fax: (48-22) 520-80-01

International Finance Corporation
Tomasz Telma, Program Manager
Warsaw Financial Center
IX Floor
ul. Emilii Plater 53
00-113 Warsaw
tel: (48-22) 520-61-00,
fax: (48-22) 520-61-01

Trade Promotion Coordinating Council Trade Information Center

Telephone: 1-800-USA-TRADE

U.S. Department of State Office of the Coordinator for Business Affairs

tel: (202) 746-1625
fax: (202) 647-3953

U.S. Department of Commerce

Ms. Amy Zona, Poland Desk Officer
14th St. & Constitution Avenue NW
Washington, D.C. 20230
tel: (202) 482-4915
fax: (202) 482-4505

Central Eastern Europe Business Information Center (CEEBIC)

Ms. Beatrix Roberts, International Trade Specialist
Information Center
tel: (202) 482-5418
fax: (202) 482-3898

U.S. Department of Agriculture

Foreign Agricultural Service
Agricultural Export Services Division
Trade Assistance and Promotion Office
1400 Independence Avenue, S.W.

Room 4949 South Bldg., Stop 1052
Washington, D.C. 20250-1052
tel: (202) 720-7420
fax: (202) 690-0193

U.S.-Based Multipliers

Polish-U.S. Economic Council
U.S. Chamber of Commerce
1615 H Street, NW
Washington, DC 20062-2000
tel:(202) 463-5460
fax:(202) 463-3114

Trade Associations

Polish Chamber of Information Technology
and Telecommunications
(Polska Izba Informatyki I Telekomunikacji)
Mr. Waclaw Iszkowski, President
ul. Zurawia 4a, Room 200
P.O. Box 44
00-503 Warsaw
tel: (48-22) 628-2260 or 621-4140
fax: (48-22) 628-5536
e-mail: piit@ikp.atm.com.pl

Polish Chamber of Commerce for Electronics
and Telecommunications
(Krajowa Izba Gospodarcza Elektroniki I Telecomunikacji)
Mr. Stefan Kaminski, President
ul. Barska 28/30
02-315 Warsaw
tel: (48-22) 822-4663
fax: (48-22) 822-6908

Pomeranian Chamber of Commerce and Industry
Mr. Ryszard Borowski, President
ul. Dlugi Targ 39/40
80-830 Gdansk
tel: (48-58) 301-13-25, 301-19-54
fax: (48-58) 301-02-16

Polish Homebuilders Association
(Polskie Stowarzyszenie Budowniczych Domow)
ul. Foksal 2
00-366
tel: (48-22) 878-7750
fax: (48-58) 828-7750 or 828-3044
Mr. Jacek Dabrowski, President
25 k.Konstancina
05-507 Slomczyn
tel: (48-22) 57-69-99

Polish Association of Sanitary, Heating,
Gas and Air Conditioning Enterprises
(Polska Korporacja Techniki Sanitarnej,

Grzewczej, Gazowej I Klimatyzacji)
Mr. Tomasz Malowany, Director
ul. Sniadeckich 10
00-656 Warsaw
tel: (48-22) 629-2684
fax: (48-22) 654-7323

The Association of Polish Architects (SARP)
Mr. Rafal Szczepanski, President
ul. Foksal 2
00-950 Warsaw
tel: (48-22) 827-8710
fax:(48-22) 826-74-56

Polish Franchise Association (PFA)
Polskie Stowarzyszenie Franchisingu
ul. Madalinskiego 67B/15
01-549 Warszawa
tel/fax: 48-22/625 43 74
Ms. Maria Kozlowska, President

Polish Pharmaceutical and Medical
Equipment Producers Chamber
(Polska Izba Przemyslu Farmaceutycznego
I Sprzetu Medycznego - POLFARMED)
Mr. Zbigniew Cezary Sledziewski, Director
ul. _ucka 2/4/6
00-845 Warsaw
tel:(48-22) 654-5351
fax:(48-22) 654-5412

Polish Association of Cable Communication
(Ogolnopolska Izba Gospodarcza Kumunikacji Kablowej)
Mr. Andrzej Ostrowski, Chairman
ul. Mieszka I 2/4
65-040 Zielona Gora
tel: (48-68) 324-5400
fax: (48-68) 327-2196

Association of Leasing Companies in Poland
Konferencja Przedsiebiorstw Leasingowych
Mr. Andrzej Plochocki, Director
ul. Filtrowa 71a apt. 3
02-055 Warsaw
tel/fax: (48-22) 825-19-43

Polish Cosmetics Association
Polskie Stowarzyszenie Kosmetyczne
Ms. Ewa M. Wanke, President
ul. Smocza 30, Apt. 32
01-048 Warsaw
tel/fax: (48-22) 838-61-59

Packaging Materials and Packaging
Manufacturers Association
Stowarzyszenie Producentow I
Uzytkownikow Materialow

Opakowaniowych I Opakowan (PROPAK)
Mr. Tadeusz Romanowicz, President
ul. Czackiego 3/5
00-950 Warsaw
tel: (48-22) 828-27-15
tel/fax: (48-22) 828-64-26, 773-19-32

Economic Chamber of Energy and Environmental Protection
(Izba Gospodarcza Energetyki I Ochrony Srodowiska)
Mr. Zbigniew Bicki, President
Mr. Slawomir Krystek, General Director
ul. Krucza 6/14
00-950 Warsaw
tel: (48-22) 621-65-72
fax: (48-22) 628-78-38

Polish Power Plant Association
(Towarzystwo Gospodarcze Polskie Elektrownie)
Mr. Slawomir Krystek, Director
ul. Krucza 6/14
00-950 Warsaw
tel: (48-22) 629-04-09
fax: (48-22) 628-60-00

Polish CHP Association
(Polskie Towarzystwo Elektrocieplowni Zawodowych)
Mr. Janusz Ryk, Director
ul. Krucza 6/14
00-950 Warsaw
tel: (48-22) 693-23-68
fax: (48-22) 628-69-93

Polish Chamber of Tourism
(Polska Izba Turystyki)
Mr. Zdzis_aw _ysio, President
ul. Ho_a 42, apt. 8
Warsaw
tel/fax: (48-22) 827-01-27

Appendix F: Market Research

List of Available and Upcoming Industry Sector Analyses

Available

Air Conditioning Commercial/Residential
Automotive Lubricants
Automotive Parts and Components
Beauty Care Cosmetics Market
Book Publishing
Building Materials
Computer Software
Cable TV Programming
Computer Services
Dental Equipment
Electrical Power Generation Sector

Food Processing Equipment
Franchising
Health Insurance
Heating Equipment
Household Appliances
Industrial Chemicals
Life/Pension Insurance
Natural Gas Sector
Networking Hardware and Software
Packaging Sector
Paints and Varnishes
Personal Computers
Printing and Graphic Art Equipment
Recycling Equipment and Service
Steel Industry
Travel and Tourism
Vitamins & OTC Drugs
Wireless Telecommunication

Upcoming

Power Generation
Housing Construction
Environmental Consulting
English Language Instruction for Polish Military
Toys
Household Appliances

List of Annual USDA/FAS Agricultural Reports

The following reports are prepared by the Agricultural Office of the American Embassy/Warsaw and are available at:

www.fas.usda.gov/scriptsw/AttacheRep/attache_frm.idc

02/01/98/99	Forest Products Annual
03/15/98/99	Strawberry Annual
04/01/98/99	Oilseeds & Products Annual
04/10/98/99	Sugar Annual
04/30/98/99	Grain & Feed Annual
05/10/98/99	Tobacco Annual
06/10/98/99	Cotton Annual
07/15/98/99	Annual Marketing Plan (focus on consumer-ready food products)
08/01/98/99	Livestock Annual
08/15/98/99	Poultry Annual
09/10/98/99	Fresh Deciduous Fruits Annual
09/30/98/99	Agricultural Situation Annual
10/20/98/99	Dairy Annual

APPENDIX G: Trade Event Schedule

MAJOR TRADE FAIRS IN POLAND
September 1999 - November 2000

1999

JESIEN
Autumn Consumer Goods Fair, Poznan Fashion Week
Poznan – August 31-September 3

MSPO
5th International Defense Industry Salon
Kielce - September 1-4

KATOWICE ’99
International Fair for Mining, Power Generation, Metallurgy and Chemistry
Katowice – September 6-10

INSTALEXPO
International Fair of Sanitary, Heating, Gas and Air Conditioning Technologies
Warsaw – September 7-10

DOMEXPO
Autumn Consumer Goods Fair "Everything for the Home"
Poznan – September 14-17

DRUG IN POLAND
International Pharmaceutical Fair
Warsaw - September 16-17

SOFTARG
Software International Fair
Katowice - September 21-24

POLAGRA
International Agro-Industrial Fair
Poznan – September 30-October 5

INFOMAN
5th International Fair of Information Management (Administration and Banking
Gdansk - October 21-23

TAROPAK
International Packaging, Storage and Handling Exhibition
Poznan - September 14-17

MEDICA-LABORATORIUM, CONTROLA-OPTICA
International Medical Exhibition
Warsaw - October 20-22

TOUR SALON
International Exhibition of Tourism
Poznan – October 21-24

KOMTEL
International Telecommunications Fair, EUROINFO, INTERNET-EXPO
Warsaw - November 16-18

INVESTCITY
Investment Opportunities in Polish Cities
Poznan - November 23-26

POLEKO
International Ecological Fair
Poznan - November 23-26

POLAGRA
Poznan - September 30 - October 5

2000

COMPUTER EXPO
International Exhibition of Computers
Warsaw - January 25-28

BUDMA
International Construction Fair
Poznan - January 18-21

THERM
International Exhibition of Installation Technology
Warsaw – February 22-24

FAIR OF DRIVING UNITS AND CONTROL SYSTEMS
Gdansk - February 23-25

WIOSNA TAK
Spring Consumer Goods Fair - Poznan Fashion Week
Poznan – February 29-March 3

AMBERIF
International Fair of Amber, Jewelry and Watches
Gdansk – March 9-12

INTERECO
Ecology International Fair
Katowice - March 15-17

INTERTELECOM
International Telecommunication Fair
Lodz - March 14-17

SECUREX
International Exhibition of Property Protection
Poznan - March 21-24

SALMED
International Trade Fair of Medical Equipment
Poznan - March 21-24

ECOENERGIA
Energy and Environment Fair
Gdynia - April 12-14

OKNA I DRZWI

5th Fair of Manufacturers, Cooperating
Parties and Sellers of Windows and Doors and
materials for their production
Gdansk - April 12-15

MULTIMEDIA
Publishing and New Media Fair
Poznan - April 11-14

INFOSYSTEM
International Fair of Electronics,
Telecommunication and Computer Engineering
Poznan - April 11-14

POLIGRAFIA
International Exhibition of Printing
Machines, Materials and Services
Poznan - April 11-14

DREMA
International Trade Fair of Woodworking
Machines and Tools
Poznan - May 8-12

MEBLE
Furniture and Furnishing Fair
Poznan - May 8-12

POLFOOD
International Agricultural Fair
Gdansk - May 23-27

International Fair of Automotive Industry
Poznan - May 25-31

EXPO COSMETICA
International Exhibition of Cosmetics
Warsaw – June 7-9

CAD CAM
Industrial Use of Computer Technology Fair
Warsaw - June 6-8

72nd Poznan International Fair
Poznan - June 12-16

JESIEN
Autumn Consumer Goods Fair, Poznan Fashion Week
Poznan - September 5-8

MSPO
6th International Defense Industry Salon
Kielce - September (exact dates to be determined)

CEDE
Central European Dental Exhibition
Lodz - September 7-9

SOFTARG
Software International Fair
Katowice - September 12-15

DOMEXPO
Autumn Consumer Goods Fair Everything for the Home
Poznan - September 19-22

TAROPAK
International Packaging, Storage and Handling Exhibition
Poznan - September 19-22

POLAGRA
International Agro-Industrial Fair
Poznan - October 5-10

MEDICA, CONTROLA, OPTICA, FARMACJA
International Medical Exhibition
Warsaw - October 25-27

INTERBANK
International Exhibition of Banking Equipment (Administration and Banking)
Warsaw - October 19-21

TOUR SALON
International Exhibition of Tourism
Poznan - November 19-22

KOMTEL
International Telecommunications Fair, EUROINFO, INTERNET-EXPO
Warsaw - November 28-30

INVESTCITY
Investment Opportunities in Polish Cities
Poznan - November 21-24

POLEKO
International Ecological Fair
Poznan - November 21-24